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Correspondence on editorial matters should be addressed to the Editor, *The World Today*, The Royal Institute of International Affairs, Chatham House, 10 St James's Square, London, SW1Y 4LE.

Professor Arnold Toynbee, C.H.

THERE can be no successor to Arnold Toynbee, who died on 22 Octob at the age of 86. A classical scholar of the era which ended in 1914, he g drawn into the study of current international affairs at Chatham Hou and the University of London, where he was a professor for nearly 3 years. He was also an adviser to government at the Peace Conference following both world wars and directed a research service for th Foreign Office from 1939 to 1946.

Alongside these activities he was engaged from 1927 in a task which n scholar of a later generation would have even attempted, the famou 12-volume *Study of History*. In this he described and analysed th rise and fall of civilizations in all parts of the world from the earlie recorded time to the present day. A striking feature of this extraordinar work was the wide perspective in which he placed European an Western civilization. It was not usual at that time to find a Wester classicist comparing non-European cultures so sympathetically with th legacies of Greece and Rome, and this made him an even more famou figure in other continents than he was at home.

The *Study of History* was fiercely attacked by numerous more specialized historians on the score of inaccuracies and overbold or unwarrante generalizations, defects probably inseparable from a work conceived o so vast a scale. The criticisms were characteristically analysed, and som accepted, by Toynbee himself in a final volume of the *Study*. What th fiercer of his critics overlooked was that Toynbee was as much a prophe as a historian and was to be read more for the ideas which he sparked of than for any new addition to the historical record. As one of his publishers charmingly said of him: 'I find many historians accurate bu sterile: what I like about Arnold is that he goes in for constructive error.'

Toynbee joined the young Chatham House in 1924 and was its chie intellectual inspiration from then until he retired in 1955. The annua *Survey of International Affairs*, written largely by himself for the year 1920–46, was a pioneering work in contemporary history, a field of stud then still considered in our older universities to be of doubtful academic respectability. In this work, his closest collaborator was Veronica Boulter, later to become his wife, who was with him to the end.

KENNETH YOUNGER
Director of Chatham House, 1959–71

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Correspondence on editorial matters should be addressed to the Editor, *The World Today*, The Royal Institute of International Affairs, Chatham House, 10 St James's Square, London, SW1Y 4LE.

Common Agricultural Policy would become automatic; the Paris meeting of 1972 was the occasion for promises—which in the event have proved Utopian—concerning the directions in which the then leaders of the Nine wished to take the Community during the remainder of the decade and the Copenhagen summit of 1973 saw the same leaders—notably Chancellor Brandt, President Pompidou, and Mr Heath—collectively seeking shelter from the Arabs' oil weapon and simultaneously striving unsuccessfully to reach agreement on such internal Community questions as the regional development fund.

The decision to end intra-Community summit diplomacy as such taken as part of the thorough and effective preparation which preceded the summit of 1974, is in keeping not only with the pragmatic qualities of the leaders who have replaced Brandt, Pompidou, and Heath, but also with the phase of Europe's development to which they must now apply this pragmatism. The era of grand diplomatic bargaining between the states of Western Europe is over, and their leaders now have to deal with the concrete implications of their collective weakness and mutual interdependence.

These implications are clearly spelled out in some of the decisions taken in Paris. Whether the Community remains one of Nine or not—and there is an unmistakable likelihood that it will—the countries represented at the summit have the closest interest in co-ordinating their policies for combating inflation and for securing their energy supplies. Their collective realization of these imperative pressures is indicated by the understanding reached in Paris that the Federal Republic, the Netherlands and Belgium, which are relatively well placed to reflate their economies should do so in advance of their more inflation-prone partners, and in the cautious agreement, on the much more controversial energy issue, that Europe could only resolve this by treating it as a 'world issue', though one on which the Community must still find the right compromise between 'Atlanticist' and 'Euro-Arab' solutions.

The decision to make heads of governments' conferences a regular component of the European calendar, and to label them 'European Council' meetings instead of summits, will not altogether remove, of course, the element of high diplomatic bargaining which preceded and accompanied the Paris meeting. The host government—presumably still the state currently holding the presidency of the Community's Council of Ministers—will still wish to make a substantial show of the occasion, in order to impress domestic opinion by demonstrating its capacity to give a lead to its European partners. (It is striking that President Giscard d'Estaing saw it as incumbent upon him to fulfil this role, despite his simultaneous need to reassure his Gaullist allies by his vociferous re-assertion of France's need for national self-reliance in the field of military defence; it is also striking that a Bonn summit, during the Federal

Republic's presidency in the first half of 1974, was only prevented from occurring by the fortuitous events which precipitated Chancellor Brandt's resignation). The other Community governments, in their turn, will all show the familiar disposition to attend a 'European Council' only if some degree of satisfaction of their demands is guaranteed in advance: the Irish and Italian governments made it clear that they would go to the Paris meeting only if it made decisive progress in establishing an effective Community regional fund (as it did); at the same time London was adamant that the budgetary discussion must be advanced, and concrete economic problems discussed (which, again, they were).

The dual position of the Community's member states, confirmed by these examples of their attitudes towards the Paris summit, is certain to continue during the new phase of summit conferences as 'European Councils': on the one hand, these are still nation-states, with a nation-state's propensity to pursue specific and individual goals, but on the other hand they are aware, even on the most pragmatic calculations, that many of these goals can only be effectively pursued in common. Future European Council meetings, like the Paris meeting of 1974, will bear the stamp of a European Community very different from the European Union so grandly envisaged in Paris in 1972—a Union which for good tactical reasons, was not described as 'economic', 'monetary', or 'political'. The European Community for which the next few European Councils will lay down the guidelines will be an inter-governmental Europe rather than anything approaching a federal one, a Europe showing the hard-headed realism of the statesmen now in office in Paris, London, and Bonn, and their awareness of the need for common action.

A final reason why future historians will regard the Paris summit as a turning-point is that it has confirmed a significant advance in constructive pragmatism on the part of the host government. As the preparatory work for the summit clearly indicated, President Pompidou's Gaullist insistence on an absolute distinction between EEC affairs and political co-operation *à la Davignon* has been quietly dropped by his successor; this victory for realism, which makes it easier for the member governments to discuss their common problems in an effective way will further enhance the utility of the Brussels institutions, and must inevitably have a direct bearing on the British decision about continued membership of the post-Paris Community.

ROGER MORGAN

THE SIMONSTOWN AGREEMENTS

In his parliamentary statement on the defence review on 3 Decemb 1974, the UK Secretary of State for Defence, Mr Roy Mason, said that th Government intends 'to enter into negotiations with the South Africa Government with a view to terminating the Simonstown Agreement' There is uncertainty, not cleared in the subsequent debate, as to whethe the reference to the Simonstown Agreement meant only the Base Agree ment or also the Sea Routes Defence Agreement. A short description o both would therefore be useful.

Two Agreements were concluded between the United Kingdom an South Africa by exchanges of letters on 30 June 1955,[1] the one on *Defen of Sea Routes around Southern Africa* (the Sea Routes Defence Agree ment) and the other on the *Transfer of the Simonstown Naval Base* (th Base Agreement), which included an Enclosure by South Africa of state ments of policy that she would follow in the use and administration of th Simonstown Base. The Agreements were prefaced by an agreed *Memo randum on the Need for International Discussions with regard to Region Defence*, which was not, like the Agreements, technically a treaty embody ing substantive obligations, but set out strategic principles underlyin them as follows:

'1. Southern Africa and the sea routes round Southern Africa must b secured against aggression from without.

2. The internal security of the countries of Southern Africa mus however, remain a matter for each individual country concerned.

3. The defence of Southern Africa against external aggression lies n only in Africa but also in the gateways to Africa, namely in th Middle East . . .'

The declared policy of the United Kingdom then was 'to contribu forces for the defence of Africa, including Southern Africa, and th Middle East', and of the Union Government ' to contribute forces i order to keep the potential enemy as far as possible from the borders South Africa . . .' The Memorandum goes on to outline the developme in consultation on planning to cover:

'8. . . . technical adequacy of routes, railways, inland waterways, ai fields and seaplane bases, radar facilities for screening, sea transpo facilities, telecommunications and mails facilities and arrangeme for their defence in the event of external aggression.

9. . . . base facilities, e.g., storage and stockpiling arrangements, rep facilities, etc., on the lines of communication through and arou Southern Africa.'

The purpose of the Sea Routes Defence Agreement is 'to ensure t safety, by the joint operations of their [UK and South Africa] respecti maritime forces, of the sea routes around Southern Africa' (paragraph 1

[1] Cmnd. 9520 (London: HMSO, July 1955).

and therefore to facilitate the necessary expansion of the South African Navy (paragraph 2). Essentially it is an agreement for the supply from, but not by, the United Kingdom of naval vessels, arms and equipment to South Africa, and for the setting up of a joint naval command structure.

The supply of arms to South Africa came into question after the UN Security Council called for an arms embargo against South Africa.[1] The UK Government applied the embargo to arms for 'internal' use but reserved those covered by the Agreement. The succeeding Government[2] extended the embargo, the Prime Minister stating in Parliament that 'outstanding commitments by the Ministry of Defence will be fulfilled', but that outstanding licences, relating to current contracts, would be revoked, no new contracts concluded, and the contract to supply sixteen *Buccaneer* aircraft would be reviewed. These, and technical issues of the application of the Agreement, were debated and negotiated between the UK and South African Governments in the following years, until in 1970 Britain's Prime Minister, Edward Heath, announced that arms sales under the Agreement would be resumed but limited to those required for 'external defence'.[3] In the ensuing controversy, a White Paper was published containing the opinion of the Law Officers on the *Legal Obligations of HM Government arising out of the Simonstown Agreement.*[4] Much of the opinion is concerned with technical questions of the type and quantity of vessels, aircraft, arms, and equipment to be supplied, but the Law Officers considered that, under the Agreement:

(i) 'HM Government undertook no obligation itself to supply any arms or equipment', but that the express undertaking of South Africa to place 'firm orders' for certain vessels, including anti-submarine frigates,[5] implied an obligation for the United Kingdom 'to permit the export of any material purchased under the Agreement', and thus necessary to the achievement of its purposes, for example, 'a sufficient number of helicopters to equip the three anti-submarine frigates';

(ii) HM Government was obliged 'if so requested by the South African Government, to permit the supply of replacements of the initial equipment and stores and base reserves for the vessels supplied from the United Kingdom, and of any other equipment, which is necessary to keep these vessels efficient for the purpose of carrying out the objects of the Agreement';

(iii) however, the Sea Routes Defence Agreement did not impose 'a general and continuing obligation upon HM Government to permit the

1 SC Resolutions 181 (7 August 1963, carried 9–0 with UK and France abstaining), reaffirmed in 182 (4 December 1963) and 191 (18 June 1964).
2 Labour Government from 16 October 1964.
3 See Merle Lipton, 'British arms for South Africa', *The World Today*, October 1970.
4 Cmnd 4589 (4 February 1971).
5 By later agreement, three in number.

supply of any further arms that might in the future be requested by the South African Government for the purpose' of the Agreement.

The Law Officers did not express any opinion upon the possible effects of Security Council Resolutions on the Agreement.

In the joint command structure, described in an Annex to the Agreement, the RN Commander-in-Chief, South Atlantic, is to be Commander-in-Chief, 'in accordance with NATO practice,' of a 'maritime strategic zone, the boundaries of which will approximate to those of the Royal Naval South Atlantic Station, and will include the Mozambique Channel'. This zone would include a 'South African Area'.[7] The responsibilities of the Commander-in-Chief are indicated in peace and in war in which the UK and South Africa are co-belligerents.

Under the Base Agreement, the UK agrees 'to hand over to the Union Government the administration and control of the Naval Base at Simonstown . . . and will also transfer title to certain property to be agreed (paragraph 1); but it is also agreed that 'the Royal Navy will continue to require the use of facilities at the base in peace and in war' (paragraph 2). South Africa is to 'maintain the facilities of the base in a state of efficiency not inferior to that existing at the time of transfer' and to expand them if necessary (paragraphs 5 and 6). Provision is made for the allocation of space and facilities to the Royal Navy and to 'the navies of allies of the United Kingdom in any war in which the United Kingdom is involved', a distinction being made between wars where South Africa is and where she is not a co-belligerent of the UK (paragraphs 2 and 3). The Enclosure with five Annexes, included by South Africa in the Agreement, deals with the administration of the base. A remarkable provision is Enclosure, paragraph 4:

'The Union Government will confirm

(*a*) that there will be no bar to the recruitment and employment of non-Europeans;

(*b*) that there will be no discrimination based on colour in the rates of pay for comparable jobs;

(*c*) that non-Europeans once recruited, will have the same security of tenure as Europeans.

The foregoing (*a*), (*b*), and (*c*) are in accordance with the accepted policy of the Union Government, (*b*) being the present practice in the Cape Province, and (*c*) the present practice of the Union'.[8]

J. E. S. FAWCETT

[7] Extending between the mainland of Southern Africa and points approximately 1,000 miles west of Walvis Bay, 2,000 miles south-west of Cape Town, 2,000 miles south-east of Capetown and 1,500 miles east of Durban.

[8] On this see Merle Lipton, *op. cit.*, footnote 7 on p. 429, pointing out inconsistencies with South African legislation in force.

reek perspectives after the elections

CHARD CLOGG

HE year 1974 surely must have been one of the most remarkable in odern Greek history. Not only did it witness the end of the longest riod of dictatorship since Greece gained her independence, but it also w within four months of the collapse of a brutal, unpopular, and ineffi- ent tyranny the holding of what were probably the freest elections er held in the country. These accorded a resounding victory to Con- ntine Karamanlis, who had been recalled from eleven years of self- ile in France in the wake of the Cyprus débâcle to preside over the uidation of the military junta that had ruled Greece, in a variety of ises, since the coup of 21 April 1967.[1]

The passage of five months since Mr Karamanlis's dramatic return, d the holding both of elections and of a referendum on the future of the onarchy make it possible (if not necessarily wise given the mercurial ture of Greek politics) to attempt an estimate of the impact of seven d a half years of military dictatorship on the political life of the country, d to speculate on the likely future course of Greece's domestic and reign policies.

When the Ioannidis regime finally collapsed under the weight of its n incompetence, Karamanlis was faced with the formidable task of earing up the wreckage left behind by the military. Apart from the yprus problem, which now looks no nearer a lasting solution than it did e months ago, Karamanlis was burdened with a number of pressing fficulties. Foremost among these was the depoliticization of an army hose authority in most facets of public life had been without effective hallenge for seven years. Moreover, this had to be done without weaken- g the country's fighting potential any more than was absolutely neces- ry, given the ever present danger of a renewed confrontation with urkey. Karamanlis prudently resisted demands for instant retribution, hich were in part whipped up by a traditionally rumbustious press that as clearly relishing its newly regained freedom.[2] Anxious to avoid pro-

[1] The circumstances of the collapse of the Ioannidis regime and the repercus- ons in Greece of the Turkish invasion of Cyprus of 20 July are discussed in my reece and the Cyprus Crisis', *The World Today*, September 1974.

[2] The tribulations of the press under the Colonels' regime are comprehensively alysed in Robert McDonald, 'The Greek Press under the Colonels', *Index*, 4, 974.

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voking a desperate backlash by the hard core of the junta, Karaman has preferred a piecemeal policy of gradually eliminating the ringlead of the conspiracy which had projected the Colonels to power in 196 Well under 100 army officers have been compulsorily retired so far,[3] a Karamanlis has stressed that others will for the most part be judged future attitudes rather than on their past records. Only in October we Papadopoulos, Pattakos, and Makarezos, the original *troika* of Colonel exiled to the island of Kea for purportedly taking part in a conspirac Now that Karamanlis's authority has been fully legitimized through ele tions, it is likely that the ringleaders behind the coup and the torture they employed to maintain themselves in power will be brought to tri Even before the elections, proceedings for high treason had been initiat against Papadopoulos, Ioannidis, and other leaders of the coup, some them indicted as 'moral instigators' of the massacre after the stude occupation of the Athens Polytechnic in November 1973, an actio widely believed within Greece to have marked the first stage in the junta downfall.[4] The strength of popular feeling about the massacre could b gauged by the fact that on 24 November 1974 a crowd estimated 500,000 strong demonstrated in memory of the students, chantin slogans against the military police (ESA) and the Americans.[5]

In the four months before the elections, Karamanlis was inevitab more concerned with dismantling the repressive apparatus of the dic tatorship and restoring legality than with elaborating any positive pro gramme of reform. One area in which he was careful to tread with car however, was that of education. Both the students and Karamanlis him self were fully aware of the political potential of the former, a potenti enhanced by the fact that they had spearheaded the resistance to th Colonels. A powerful and reform-minded team, under Professor Nikola Louros, was placed in charge of the Ministry of Education. The wide spread student demand for ἀποχουντοποίησις, or 'dejuntification', the universities was met by a Constitutional Act entitled 'On the Restora tion of Legality to the Higher Educational Institutions', which was issue on 3 September. Its basic provisions were that university teachers dis missed by the junta should be reinstated and that those who were eith appointed by the junta or who had collaborated with it beyond the call professional duty should be removed. Moreover, the Government, afte student protests, made an important exception in allowing stude

[3] This contrasts with the retirement of some 1,500 officers from the three arme forces in 1967 and 1968. The annual average of retirements between 1963 an 1966 had been about 330. 'Athenian' [Rodis Roufos], *Inside the Colonels' Gre* (London: Chatto & Windus, 1972), p. 112.

[4] The findings of the official inquiry, led by Constantine Tsevas, into the Poly technic massacre put the dead at up to thirty-four, with 1,100 injured. Offici figures published by the junta at the time put the number of dead at fifteen an injured at 300.

[5] *The Times*, 25 November 1974.

organizations alone the right to hold their own elections before the general elections.

The election campaign

Karamanlis announced in early October that parliamentary elections, the first to be held in Greece since February 1964, were to take place on 17 November. At the same time he indicated an early end to the uncertainty that had surrounded the constitutional issue in Greece since his return. To give some semblance of constitutional continuity Karamanlis had retained as President General Phaidon Gizikis, who had taken up the post following the deposition of Papadopoulos in November 1973. Gizikis maintained a low profile after July, but undoubtedly the fact that an army officer continued as head of state caused some unease. Karamanlis declared that within 45 days of the elections a referendum would be held on the future of the monarchy. The new parliament would have constituent powers to draft a new constitution, taking into account the result of the referendum; this process was to last no longer than three months.

To go for early elections was the unanimous decision of the provisional Cabinet. Among the reasons advanced was the need to have an elected, fully legitimate government to negotiate a settlement of the Cyprus problem and to facilitate the 'unfreezing' of Greece's relations with bodies such as the EEC and the Council of Europe. The decision provoked, however, considerable protest on the centre and the left. The principal complaint was that there could be no truly free elections until there had been a thorough purge of junta supporters from the state apparatus and a dismantling of the mechanisms of repression, particularly in the rural areas. The electoral system chosen—a complex form of 'reinforced' proportional representation—was criticized as unduly discriminatory against small parties and coalitions, and it was also claimed that the voting would be on the basis of outdated electoral registers. Other complaints were that the substantial numbers of Greek workers in Western Europe were effectively disenfranchised, that the voting age had not been reduced from twenty-one to eighteen, and that in general the parties would not have time to organize themselves or a proper election campaign.

Nevertheless, parties representing all shades of the political spectrum were formed quickly and the election campaign was soon being fought with traditional vigour. On the far right was the National Democratic Union (EDE), headed by Petros Garoufalias, who as Minister of Defence in the Government of George Papandreou had been at the centre of the crisis that resulted in Papandreou's resignation in July 1965. It was clear that EDE was looking for votes from supporters of the Colonels' regime. The traditional right was represented by the New Democracy party, led by Karamanlis; this was in essence a revamped version of the pre-coup National Radical Union (ERE), headed by Karamanlis until his abrupt

withdrawal from politics in 1963, and then by Panayiotis Kanellopoulo who, although a vigorous opponent of the Colonels, was a conspicuou absentee from the 1974 electoral fray. The only party to have kept its pr 1967 name was the Centre Union (EK), headed by George Mavros, wh had been Minister of Foreign Affairs in the provisional Karaman Government. The Centre Union was in coalition with the New Forc (ND) group, which consisted of a number of noted liberal intellectua who had been a persistent thorn in the Colonels' flesh. To the left of t Centre Union was an entirely new political grouping, Andreas Papa dreou's Panhellenic Socialist Movement (PASOK). Papandreou ha been a dynamic and controversial member of his father's Centre Union the 1960s. On going into exile in 1968, after several months as a prison of the Colonels, Papandreou had become an increasingly bitter ar trenchant critic of Nato tolerance of, and American support for, t Colonels' regime. On the far left was the United Left (EA) coalition; th was a somewhat uneasy coalition of the pre-coup United Democra Left (EDA) which, headed by the veteran left-wing politician Ilias Ilio had generally been considered a front for the Communist party, and th two factions of the now legal Greek Communist party (KKE)—the KK of the Exterior (oriented towards Moscow) and the KKE of the Interi (now known as the KKE 'in Greece'), which is a Communist party mo on the French or Italian model.

Despite the very considerable economic problems facing Greece—th highest rate of inflation in Europe, very severe balance-of-paymen difficulties, and serious repercussions of the energy crisis—the electio was not fought on bread-and-butter issues. The economy scarcely figur as an election issue, although the parties of the left elaborated fairly fa reaching plans for the nationalization of banks and basic industries. Th issues, in fact, were very largely political. Prominent among them w the question of punishing those responsible for the dictatorship, with th strongest demands for severe retribution coming from the left. Also issue were Greece's future relations with the outside world, and mo especially with Nato, from which Greece had already withdrawn mili tarily, and with the EEC. Allied to this was the question of the America bases in Greece, which were the subject of bilateral Greek/US agre ments. The New Democracy and the Centre Union declared Greece future relations with Nato and the question of the American bases to b open to negotiation, while strongly emphasizing Greece's orientation to wards the Western world and her need for closer relations, both econom and political, with the EEC. The parties of the left advocated a comple withdrawal from Nato and were markedly less enthusiastic about th EEC, seeing Greece's future interests as lying more with those of th non-aligned countries. On the question of the monarchy, the Cent Union, the Panhellenic Socialist Movement, and the United Left we

uivocally against, with the New Democracy uncommitted. Only the onal Democratic Union took up a definite position in favour of its ration. *In general, the parties of the centre and left had a more clearly* ned programme to offer the electorate than the New Democracy. Mr amanlis preferred to project himself as the experienced elder states- rather than make specific electoral promises, *calling* on the electorate hun demagogues of right and left. His opponents charged him with paigning on the slogan of 'Karamanlis or the tanks'.

he campaign was vigorously but fairly contested, with the main ies making party political broadcasts on television for the first time Greek election. Opinion polls being practically unknown in Greece, e were few indications of the trend of opinion other than the size and husiasm of the crowds attracted by the parties and their principal tagonists. Some observers looked to the student elections held a week ore the parliamentary contest for possible indications of the national nd. In these elections approximately four out of every five students ed for a left-wing candidate. In Athens, for instance, the All-Students vement (linked with the KKE of the Exterior) had fifty-four success- candidates, the Panhellenic Student Movement (linked with PASOK) forty-three, Democratic Struggle (linked with the KKE of the In- or) had thirty-one, the New Democratic Movement (linked with the w Democracy) had eighteen, assorted Trotskyists, Maoists, and other -wing factions had twenty-four, with thirty-four independents. These ults seemed to bear out what a number of commentators had been ming, namely that there had been a massive radicalization of political nion in Greece as a result of the seven years of dictatorship, although t of those participating in the student elections, being under twenty- , were excluded from the national elections.

ults and Implications

n fact the national results bore little relation to the students' polls. ey certainly gave no indication of a massive leftward swing. Already earliest returns made it clear that Karamanlis was set for a landslide tory. The final results were as follows:

	Total votes	*Percentage of vote*	*No. of seats (total 300)*
w Democracy	2,670,804	54·37	220
ntre Union/New Forces	1,002,908	20·52	60
hellenic Socialist Movement	666,806	13·58	12
ited Left	464,331	9·45	8
tional Democratic Union	54,162	1·10	nil
ers	53,345	1·08	nil

either the Panhellenic Socialist Movement nor the United Left

secured enough votes to enable them to participate in the second distribu tion (approximately one third) of seats. The idiosyncratic nature of the voting system is illustrated by the fact that, although the New Democra received approximately four times the number of votes of the Panheller Socialist Movement, it received eighteen times as many seats. Karama lis's 220 seats gave him well over the two-thirds majority necessary f him to enact any form of constitution he might choose.

The nature of the constitution, of course, partly depended on the result of the 8 December referendum on the monarchy. Although the outcome of the election could be construed favourably from the King point of view, the monarchy was decisively rejected, with rather more th two out of every three voters opting for the republic. Karamanlis hims preserved a careful neutrality on the constitutional issue and gave lit indication of his thinking on the form of a new constitution save that wanted to see a strengthened executive. Whether he envisages a preside tial system on the French model as some observers suggest, or wheth he would prefer a figurehead presidency, with effective power in t hands of the Prime Minister, remains to be seen.

It is clear that the great majority of the electorate opted for a consolida tion of their newly regained political freedoms rather than any ma restructuring or re-orientation of Greece's institutions, economy, foreign policy. Indeed, the old pre-coup political world has shown remarkable degree of resilience in surviving the vacuum of the Colone rule more or less intact. But there is little prospect of dynamic refor from the somewhat elderly and lacklustre figures Karamanlis has r cruited for his new Government. Nor is it a government that is likely go very far towards meeting the vociferous demands for 'dejuntificati voiced in many quarters.

Cyprus and other problems

Apart from calling for a spirit of national unity to confront the ma serious problems pressing on Greece, and offering to remove fore affairs and education from the political arena, Karamanlis has given lit indication of his future policies. Cyprus is clearly the major foreign poli problem facing the new Greek Government but, with continuing politi instability in Turkey and with dissension within the Greek Cypriot com munity, a lasting or even short-term solution is nowhere in sight. More over, Cyprus is only one, if the most serious, source of Greco-Turki friction. Other outstanding problems are the status of the Greek minor in Istanbul and Imvros and the Turkish minority in Greek Thrace, t demilitarization of the Dodecanese, and the question of rights to unde sea oil in the Aegean, which had briefly raised the threat of armed co frontation even before the Cyprus débâcle.*

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Karamanlis will undoubtedly continue the policy of his provisional vernment in seeking much closer relations with the EEC, although in ar as this is seen as a form of compensation for Greece's strained relas with the US and Nato it is unlikely to be well regarded in Brussels. r is there much evidence that the Community fully reciprocates eece's enthusiasm for full membership of the EEC before 1984, the e envisaged in Greece's 1962 Treaty of Association with the EEC. e Community will clearly need further evidence that Greece is firmly blished on a democratic course before agreeing to a full, and perhaps vocable, incorporation of Greece.[7]

One of Mr Karamanlis's most intractable and immediate problems is state of the economy. At a time when the developed industrial couns of the West are finding it increasingly difficult to cope with the social d political strains imposed by worldwide inflation and the energy crisis, se problems are being felt in a particularly acute form in Greece (petrol re is the most expensive in Europe). And the country's economic diffities have been greatly exacerbated by seven years of corruption and smanagement. The tourist trade, a vital constituent in the Greek ance of payments, had been seriously affected even before this sumr's war scare in the Eastern Mediterranean. Moreover, the severe wnturn in Western Europe's demand for migrant labour is likely to strict, if not actually close, Greece's traditional safety valve against mestic unemployment and underemployment and its political conseences, as well as reduce the flow of emigrants' remittances, another

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key constituent in the country's balance of payments. The prospect of a possible combination of rampant inflation, a discontented working class with some tradition of political militancy in certain areas (e.g. the Athens building workers), and a highly politicized and well-organized student movement in confrontation with a conservative Government is not altogether a happy one. Once the euphoria engendered by the return of political freedom and the downfall of a hated tyranny begins to evaporate, Karamanlis may well find himself confronted with serious manifestations of internal discontent, despite his overwhelming victory at the polls.

Yet while Greek politics are unlikely in the future to deviate from the traditionally rumbustious, and even stormy, course that they have followed in the past, one thing seems clear. Greece is now firmly embarked on a democratic course. The army's intervention in politics, culminating in the squalid fiasco of the junta's attempt to overthrow President Makarios, has left it utterly discredited as a political force. The social and political system is certainly in need of major structural reforms, but it has been conclusively demonstrated that authoritarian military dictatorship holds no answer to the country's manifest problems. In five short months Karamanlis has managed to exorcize the spectre of renewed military intervention in the political life of that troubled and singular country.

Ethiopia—a real revolution?

PATRICK GILKES

The soldiers have overthrown the Emperor and executed many of his ministers, but they will have a harder job getting rid of feudalism —not least because they might find it difficult to stay united.

WITH her 3,000-year old monarchy, her tradition of independence from colonial influence, and the feudal nature of the society, Ethiopia has always had the deserved reputation of being unique in Africa. At first even the changes over the last year did not conform to the pattern of military takeovers elsewhere on the continent. It took the armed forces seven months from the outbreak of the crisis in February 1974 to get to the point of deposing Haile Selassie on 12 September. Since then the impetus appears to be failing and the aims of the revolution are in danger of being lost in a power struggle, the violence of which has shocked the world.

While for many outside Ethiopia, who knew Haile Selassie only as a statesman of international repute, his deposition was a shock, for those within the country the establishment of a Provisional Military Government was not surprising. From the moment it became clear in February that the armed forces were concerned with more than pay and conditions, it was obvious that the traditional pattern of the regime would not survive for long. It is true that if the famine and inflation of 1973/4 had not supplied the spark, Haile Selassie might have been allowed to die before the desire for change became too insistent to be ignored; even after the crisis broke, had Haile Selassie made realistic gestures of supporting the call for reform, he might well have survived and been able to preserve something of his own personal position. He was unable and unwilling to do so and he went, and with him has gone the Ethiopian monarchy. It may survive for a short while in the person of Prince Asfa Wossen, King-elect, but the Provisional Military Government have already made it clear that this solution is to provide only a temporary, as well as a powerless position. It is unlikely to be long before a republic, at first under military control, is formally set up.

The immediate causes of the February crisis can be found in the disastrous drought that reached the world headlines in the later part of 1973.

Mr Gilkes, a former lecturer at the Haile Selassie 1st University, Addis Ababa, is author of *The Dying Lion: Feaudalism and Modernisation in Ethiopia* (London: Julian Friedmann Publishers Ltd, 1974).

It had actually been going on for three years in the provinces of Tigre and Wollo, but comment on it was proscribed. The Government's first requests for international aid were not made until April 1973 and even then no publicity was given to the situation. As some rumours began to leak out, there was a strong feeling, and not only among radical students, that the Government had ignored the problem for too long. This was strengthened by allegations made later in the year that donated grain and medical supplies were being sold for profit. Episodes like the shooting in May of secondary school students who were demonstrating on behalf of famine victims could only add fuel to the rumours.

As world publicity and increased aid prompted more government activity, it also became clear that the administrative capacities of the system were being badly overloaded. It was symptomatic that approximately half the funds raised within Ethiopia for famine relief came from private individuals and companies; that the most considerable work in the relief camps was done by foreign relief workers; that the transport system had to be augmented by gifts of lorries from abroad; and that British soldiers were used to help build some of the roads into the interior of the stricken provinces. The Government was deservedly, if predictably, blamed for having failed to create an administration able to cope with such an emergency.

Towards the end of 1973, two other factors helped to raise food prices that were already increasing because of the shortages consequent upon the drought. The commodity price boom of 1972/3 had affected Ethiopia favourably in terms of the balance of trade; but it had also encouraged farmers to turn away from subsistence food crops and switch to such cash crops, for export only, as haricot beans, taking advantage of a massive rise in the selling price. The oil crisis and the inflation in Western Europe had a serious effect on the cost of imports, affecting especially food prices. 1973 saw an overall price rise of 20 per cent; in the first quarter of 1974 the rise was equivalent to an annual rate of approximately 80 per cent.

In mid-February, taxi drivers in Addis Ababa went on strike over a rise in the cost of petrol, paralleled by a government order freezing fares. This was followed by students demonstrating against rising prices, and strikes by other groups including bank and airline employees. Teachers also demanded pay increases and struck against the recently published Education Sector Review; they accused the Government of trying to lower educational standards and, more explosively, of wanting to create a system that would have discriminatory effects on the non-Amhara peoples of the Empire.[1]

[1] Ethiopia is in fact a multi-national state; for most of its history the ruling elite have largely come from the Amhara, and since 1889 from the Amhara of northern Shoa. This has been resented by other nationalities, especially the Eritreans and sections of the Oromo (Galla). The situation has been intensified by the identification of the established Orthodox Church with the Amhara, while Moslems

Most serious of all, in the last week of February the armed forces were clearly restive, despite a pay rise the previous October. There had been a brief warning in January when a brigade of the 4th division, stationed in the south, mutinied and imprisoned all above the rank of sergeant. Complaining that their pay and conditions were intolerable, they apparently made their officers live for a few days on their rations—most were reported to have been struck by severe dysentery. This warning was not heeded. On 26 February the 2nd division, in Asmara, seized control of the town; they were followed almost immediately by the navy, the air force, and then the units of the 4th division stationed in Addis Ababa. The Imperial Bodyguard (the 1st division) agreed to stand on the sidelines. The Prime Minister, Aklilu Habte Wold, who had been in office since 1961, resigned as did his Council of Ministers. In his place, Haile Selassie appointed *Lij* Endalkatchew Makonnen who came into office promising extensive reforms.

This was necessary, as the armed forces had not been bought off by the 40 per cent pay rises granted to them, but had put forward their own list of further demands and had supported those of the students and workers. *Lij* Endalkatchew's projected reforms were itemized in a government White Paper published in April, which gave some idea of the deep-seated problems of the Ethiopian state. The first priority was naturally drought control, but the theoretical overall aim of the document was to create a fairer society. It included proposals that all government officials should declare their property holdings; government grants were to be restricted to those who actually worked on the land and excess landholdings to be taken over by the Government for redistribution; forest lands held in private ownership were to revert back to the state; tenant farmers were to be given the possibility of acquiring the land that they work. Other aspects of the White Paper included reform of the tax system to ensure greater equality, more educational opportunities, price controls, programmes to eradicate disease and provide for road building and water conservation in rural areas, with special emphasis on nomadic lands.

At the same time the Emperor's agreement to call a constitutional conference appeared to open the way for a substantial devolution of his actual and theoretical powers. There was a general assumption that the conference would call for a constitutional monarchy, with political parties and ministers responsible to Parliament. The Government had had to agree also to a long list of demands put forward by the Confederation of Ethiopian Labour Unions in March after a highly successful general strike. Most of their seventeen points related to labour legislation, price controls, and minimum wages, though several points dealt with the

o provide at least one-third and perhaps even one-half of the population) are ely from the Oromo, Eritreans, and other non-Amhara nationalities.

educational problems—particularly a request for the Education Sector Review to be withdrawn, and for the possibilities of genuine free education to be examined. Furthermore, the armed forces called for a free press, land reform, political parties, freedom for political prisoners, and punishment for the resigned ministers responsible for the famine disaster.

The general theoretical acceptance of these demands by *Lij* Endalkatchew, and the appointment of ministers known to be committed to the idea of reform—such as *Dejazmatch* Zewde Gebre Selassie and *Lij* Michael Imru[2]—seemed to suggest that constitutional reform, with Haile Selassie, was a real possibility. However, there were numerous elements which neither trusted the new Government nor believed that it was prepared to go far enough. This was not surprising, for the reform proposals did not reflect the full dimensions of the problems. These can be illustrated by two factors—land and connexions, both central to the feudal system that operated under Haile Selassie.

Land and patronage

The complexity of Ethiopia's system of land tenure has been increased in recent years by the spread of mechanized farming which has affected traditional patterns to a limited degree. Land is still the basic determinant of political and economic power and was, of course, recognized as such by the Emperor and the Government. Members of the central and provincial nobility were granted fiefs by the Emperor, sometimes for life or a term of years, sometimes on a heritable basis, though these usually went to the imperial family. The rights included reduced land taxes—in certain cases the Emperor ordered the Ministry of Finance to lower the rates still further. One example, brought to light in September, was of a reduction from Eth.$90,000 to Eth.$3,000.

In the southern provinces in particular, the Emperor and the Government granted estates to officials in the administration and officers in the armed forces in lieu of salary, or as pension, or as a reward for loyalty. The amount varied according to the rank of the recipients, who did not have to pay land tax. Some of the estates granted in this way were enormous; one in Hararge province, acquired after the Second World War, was of 900,000 hectares. The actual quantity of land owned by the larger landlords is unknown as there has never been a cadastral survey, but it is reasonable to assume that at least 65 per cent and perhaps 80 per cent of Ethiopia's farmers are tenants.

[2] Both of these men had been ministers for a short while after the attempted coup of 1960, when it seemed as if reforms were possible. Both had resigned within a few months, when it became clear that Haile Selassie was not in earnest, and had spent the subsequent years abroad. They were thus untainted by the scandals of Aklilu's premiership. *Lij* Michael was made Prime Minister after *Lij* Endalkatchew, and then moved to Minister of Information after Haile Selassie's deposition.

The obligations laid on the tenants were harsh: corvée duties and other services and dues to the landlord, most of which were officially made illegal in 1944; up to 75 per cent of the crop as rent; frequent payment of the land tax, legally the landowner's responsibility, and the tithe, officially abolished in 1967. Over and above this the tenants suffered from the lack of written leases, the necessity for finding fees for the renewal of tenancies, fragmentation, and the small size of holdings.

Attempts to remedy the position were half-hearted. The tenancy bill of 1968 was never passed by Parliament which was dissolved in September, although the provisions were weighted in favour of landowning interests. Some reforms were legalized though the agricultural income tax law of 1967, for example, was barely applied to the larger landowners. The tithe was still being budgeted for in 1972/3.

Even if tenants did try to take a landlord to court—an expensive and time-consuming procedure—they ran up against another element of the system. The local administration was largely staffed by men with inherited estates; provincial officials came from the various levels of the local aristocracy, their positions as judges and governors depending to a great extent upon their family ties. Such links were also vital in central government. Over 70 per cent of the post-war ministers can be put on a single genealogical table,[3] being connected to each other and to the extended royal family either directly or by marriage. Great Shoan families like the Addisge, Moja, and Bezu, and the descendants of Sahle Selassie, King of Shoa in the 19th century, have provided an entirely disproportionate number of the highest officials. Connexions have played an essential part in acquiring positions, titles, lands, and jobs.

Even after the February coup, the significance of these connexions was illustrated by the appointment of *Lij* Endalkatchew Makonnen as Prime Minister. When Aklilu Habte Wold resigned, Haile Selassie apparently wanted to appoint someone else as Prime Minister, but his hand was forced by the army. This may seem surprising given that *Lij* Endalkatchew was the head of the Addisge family, one of the richest nobles in the country, had served under Aklilu for a long time, and was considered by many to be as responsible as the other members of that Government for the famine disaster. Nevertheless Haile Selassie was impelled to give him the post by elements in the armed forces, in particular Colonel Alem Zewde Tessema, who emerged as Chairman of the Armed Forces Co-ordinating Committee in April. His wife was a relative of Endalkatchew's mother; both women, and much of the Colonel's support, came from the same province.

Not unnaturally, immediate reactions to *Lij* Endalkatchew's Govern-

[3] See C. Clapham, *Haile Selassie's Government* (London: Longmans, 1969), which is the best work on the functioning of Haile Selassie's personal system of government.

ment were mixed. Suspicions were reinforced when he seemed reluctant to take measures against the former ministers; it was not until mid-April that the armed forces insisted on their arrest. There also appeared to be some reluctance to push ahead fast enough with the proposed reforms. Despite the great expectations aroused, especially in Addis Ababa, the elite did not seem to be fully conscious of the depth of resentment that had built up over the years against the regime.

The Eritrean problem and other disturbances

In Eritrea, the northern province that was federated with Ethiopia between 1952 and 1962, the Eritrean Liberation Front (ELF) took up arms to fight for independence in 1962. At first, the Front was primarily a Moslem-orientated separatist movement, though it could also build on resentment against Amhara government, regarded with some justification as extremely bad. Whilst in 1952 a majority in Eritrea was probably in favour of union with Ethiopia, by 1962 there was very definitely a majority against further association of any kind—the Federation Parliament voted itself out of existence amid vociferous allegations of bribery. The ELF continued to gain support from the peasantry and tenants in Eritrea and over the years became a revolutionary socialist movement with extensive grass-roots support. Having overcome the effects of a civil war in their own ranks in the early 1970s, they currently hold much of the province off the main roads, although their divisions remain.

A similar movement also operated in the south. It began as a protest against bad government in the province of Bale, but was linked to the Liberation Front for West Somalia that operated in the neighbouring province of Hararge. This revolt controlled three-quarters of the province in the later 1960s, but seemed to quieten down after its major leader surrendered in 1970. In fact the remnants, under the title of the Ethiopian National Liberation Front, are still active in the same area. They too are now a nationalist, revolutionary socialist movement and have some links with the ELF. Similarly much of their support came, and still does come, from over-exploited peasantry. Peasant disturbances have not been confined to these two areas but have occurred, though on a smaller scale in all the provinces. In most cases they have arisen from the Government's drive to collect taxes, over-exploitation, and the expropriation of land by officials and landowners.

Two other groups have been important in opposition to the regime - workers and students. The industrial labour force is still small but it has been involved in a number of strikes. Inevitably, given the lack of political activity in Ethiopia, it has mainly confined itself to issues affecting members directly, but already before 1974 there were signs that it was beginning to act in a more political sense. The students have been the most vocal, and the only public, opposition to Haile Selassie since 19

when they took to the streets in anti-government demonstrations. They played a vitally important part in encouraging the pressures that burst out in February.

The Emperor's deposition

All these groups were essentially against the Government of *Lij* Endalkatchew, which they saw as virtually a continuation of the past. The key to his survival rested, however, not with them but with the armed forces. It was his failure to keep them on his side that brought him down in July. The armed forces' impatience with the speed of reform and their recognition of the possibility of a counter-revolution persuaded them that there was a need to move against the leading political and aristocratic figures at the end of June. They had evidence of attempts by the Emperor and other leading nobility to carry out the old policies of divide and rule, and to resurrect the divisions within the armed forces that had been a basic element in Haile Selassie's methods of government.

In this sense the Co-ordinating Committee of the Armed Forces, Police, and Territorial Army were forced to keep the revolution moving for their own protection. Equally important, their own internal debates were leading them in a similar direction. In spite of many protestations to the contrary, the committee was not a united body. It was composed of elected delegates from all the major units of the armed forces and there were wide divergences of opinion among its 120 members. In the early stages there was a majority for keeping the Emperor, not out of any great loyalty to Haile Selassie personally nor from any commitment to the system, but because of his supposed value as a unifying symbol. But even in March, certain units, notably the air force, were pressing for his immediate removal. Many of the officers involved were fully aware of the contradiction in preserving the prime symbol of the system that they were intending to destroy, but it took time to collect the evidence that would win general support, both inside and outside the committee.

From June, they gradually closed in on the Emperor; arrests of his advisers in the Crown Council were followed by those of his oldest friends and then his personal secretaries. The palaces were nationalized and his files seized. The evidence of financial manipulations uncovered in them was publicized and the final step taken on 12 September. Since then arrests of other officials accused of corruption, which has been built up into a major issue, have multiplied. With the Church neutralized by the agreement to continue with a powerless constitutional monarchy in the person of Haile Selassie's son Prince Asfa Wossen, there were virtually no other traditional sources of power left untouched; only the provincial nobility have been largely left alone for the moment.

After their take-over, the committee, now the Provisional Military Government (PMG), continued to have internal discussions over

the future shape of the Government, revealing some of the underlying tensions. One meeting in September significantly debated three alternatives: a quick return to barracks, the setting up of a proper military junta of some ten to fifteen members, and a continuation of the status quo. In the event, the third alternative was accepted and some of those who tried to enforce the first were arrested. To help the overall unity of the PMG, General Aman Michael Andom was chosen to act as Chairman and Prime Minister. General Aman was a popular soldier who was widely respected both in and out of the armed forces. The parallel with Portugal's General Spinola is worth making, for General Aman was never a member of the committee, and was being used as a figurehead, and perhaps as a potential presidential candidate.

Almost immediately after the PMG was set up, fears that a military dictatorship would replace the imperial one led students, intellectuals, and union representatives to speak out. The military's response was twofold. They continued to insist that they were a *provisional* government whose priorities were clearing up the mess left by the old regime and land reform. In October they set up a broadly based civilian advisory board of 50 members. Its tasks were to prepare a new constitution and make recommendations on a wide spectrum of political, social, and economic reforms. Secondly, the PMG arrested the three leading members of the Confederation of Ethiopian Labour Unions—though they made it clear that this was not a general attack on the labour movement. At the end of October, they also prepared to implement schemes for mass literacy and health campaigns in rural areas, which were to be run by students from the last two years of high school and the university. Since the students had vociferously called for this in the past, it was difficult for them to refuse now, especially as sanctions for doing so included no further education and no jobs; but the main intention of the programme was clearly to remove the students from Addis Ababa and other towns, where they constituted a political force.

The fall of General Aman

The most striking instance of this repressive trend came on 23 November when General Aman and two of his supporters in the PMG were killed and 57 of the detained ex-ministers, officials, and military officers summarily executed. General Aman's death occurred while he resisted an attempt to arrest him the day after he had been dismissed from his posts. It had, in fact, been clear that his position was crumbling; he had made two efforts to resign in November and the week before his dismissal he had failed to appear at various functions. Significantly, this coincided with the publicity given to Major Mengistu Haile Mariam as the PMG's First Vice-Chairman; he had gradually emerged as the man who had led the Co-ordinating Committee since July and was responsible for the

overthrow of Haile Selassie. He was part of the group in the PMG who favour continued military control and emphasize national unity.

Obviously, elements of a personal power struggle were involved in the dismissal of General Aman; post hoc charges included dictatorial behaviour and attempts to divide the PMG. Matters of policy were, however, equally important. It was apparent that the PMG was at odds over Eritrea, and over the question of trials for the detained officials, as well as over the future style of government and the economic situation.

During the period preceding the removal of Haile Selassie there were some efforts to open negotiations with the ELF. An offer of autonomy, on the lines of the former Federation, was made through Sudanese mediation. This was rejected publicly by one ELF faction, though all groups are insistent that the first preliminary is independence. The response of the PMG has been increased activity in Eritrea, and in the week after Aman's death (the General was himself an Eritrean and favoured a political settlement) 5,000 more troops were sent to the province.

General Aman had also insisted that the detained officials should be tried; 35 of the ex-ministers had already been indicted on a variety of charges connected with the 1973 famine and maladministration and military courts had been set up. It is hard to resist the conclusion that the summary executions were, in part, the result of panic and revenge. The list of victims displays certain oddities: not all of those indicted were executed; and although it included many who had potential or actual traditional power and seventeen generals, other detainees who fell into these categories were spared. Amongst those shot were several military figures who had connexions with the PMG or the Co-ordinating Committee, including Colonel Alem Zewde and Colonel Yigezu Yimene, an important officer in Army Aviation; another five were from Army Engineers. These two units, together with the air force, are prominent among the more radical wing of the military.

Aside from their own internal divisions—it was noticeable that the new Chairman, General Teferi Banti, was only elected by majority vote —two central weaknesses are apparent in the PMG. First, no ideological alternative to the imperial system has been devised. The motto 'Ethiopia first' is vague despite an overall commitment to democracy, and the intellectuals and radicals remain dissatisfied. Secondly, the emphasis on searching out corruption has tended to inhibit actual government and the implementation of reform. The military displayed considerable skill in overthrowing the old regime; they are showing much less in trying to replace it. The tasks of reconstruction are formidable and disunity can only make the future more uncertain. The revolution is yet to come.

Some procedural problems in the UN General Assembly

SYDNEY D. BAILEY

> *'... it is not easy for a Westerner to be sure whether 1974 was the year the UN went into decline or the year it faced for the first time the need for the new political and economic order ... necessary if the world is to avoid disaster.'*

A FEW days before the UN General Assembly was due to convene, a official from a Third World country said to me: 'I don't care if it's illega we've got the votes.' This echoed almost exactly a comment made by US representative at the UN in 1959.

Some procedural decisions taken by the UN General Assembly la November certainly had a distinctly partisan flavour. The first arose fro the growing frustration at the UN's seeming impotence with regard t South Africa, including South Africa's continued presence in Namibi and her military assistance to the Rhodesia Front regime. At each session the General Assembly creates a credentials committee which is suppose to examine the credentials of representatives 'and report without delay Up to four years ago, the credentials committee did not complete its worl until mid-December, and the Assembly did not act on the committe report until the session was virtually over. In 1970, 1971, and 1972, th Assembly duly approved the report of its credentials committee, bu excluding the credentials of the representatives of South Africa from it approval; in 1973, the Assembly expressly *rejected* the South Africa credentials. These procedures did not, in practice, interfere with Sout Africa's right to speak and vote.

In 1974, a different course was followed. The credentials committe met unprecedently early (27 September) and decided not to accept th South African credentials. On 3 October the plenary Assembly approve the report of its credentials committee, and Uganda introduced a resolu tion asking the Security Council 'to review the relationship between th United Nations and South Africa in the light of the constant violation b South Africa of the ... Charter and the Universal Declaration of Huma Rights'. This was adopted by 125 votes to 1, with 9 abstentions.

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The Security Council held ten meetings on the matter during October. In addition to the fifteen members of the Council and South Africa herself, no fewer than thirty-five non-members of the Council took part in the debate, as well as four representatives of liberation movements. South Africa's speech was remarkably conciliatory in tone, but vague on matters of substance. The three African members of the Council submitted a proposal by which the Council, under Article 6 of the Charter,[1] would have recommended to the Assembly that South Africa be expelled from the United Nations. This was put to the vote on 30 October and received ten favourable votes (nine are needed for a decision) with two abstentions; but the negative votes of Britain, France, and the United States constituted a veto.

The result of the Security Council's deliberations was reported to the Assembly by the Council's President for October (Cameroon), though not until 7 November, and on 12 November the Assembly was convened to consider the matter further. Tanzania, on behalf of the African Group, asked for the guidance of the President, Mr Abdelaziz Bouteflika of Algeria. After a short debate, the President ruled that 'the General Assembly refuses to allow the delegation of South Africa to participate in its work.' This ruling was challenged by the United States on the ground that suspension of Membership is possible under the Charter only in the case of a Member 'against which preventive or enforcement action has been taken by the Security Council' and then only 'by the General Assembly upon the recommendation of the Security Council' (Article 5). After a short procedural debate, the President's ruling was put to the vote and sustained by 91 votes (Afro-Asian and Communist) to 22 (the West, Israel, plus 3 Latin American States), with 25 Members abstaining or absent.[2]

What was missing from much of this episode was a frank recognition that two equally valid principles were in conflict: universality (which had been greatly relied on over the seating of China and the admission of the German Democratic Republic) and 'equal rights and self-determination of peoples' (which are denied in other parts of the world in addition to South Africa). Apart from the clash of principles was the interesting *political* question as to what the three vetoing states had said to South Africa in private. Had they offered South Africa an open-ended assurance of the protection of the veto in future years, or had they said that there would be no veto of proposals to expel South Africa in future unless South

[1] Article 6 provides that a UN Member which has persistently violated the Charter may be expelled 'by the General Assembly upon the recommendation of the Security Council.'

[2] One of the absent states let it be known later that had it been present, it would have voted against the President's ruling. This unidentified state was probably South Africa herself: had it not been for South Africa's suspension, the information would no doubt have been included in the Assembly's official record.

Africa makes definite moves towards complying with UN decisions, such as the withdrawal of military and para-military forces from Rhodesia and a firm timetable for Namibian independence? Subsequent events suggested that the Western powers spoke very frankly to South Africa and in the knowledge that things were in motion in the area.

The Palestine debate

The second procedural problem arose from the decision of the Assembly to invite the Palestine Liberation Organization (PLO) to participate in the debate on the Palestine item. States are not the only actors that take part in the work of the General Assembly. The Jewish Agency for Palestine and the Arab Higher Committee, for example, took part in the work of the Assembly's First Committee in 1947–8, and petitioners from trust territories and representatives of liberation movements have appeared before the Assembly's Fourth Committee. But the invitation to the PLO was different because the debate on Palestine was taking place not in committee but in the plenary, and the only person other than the Secretary-General or a representative of a Member state who had previously addressed the plenary was Pope Paul VI.

Two other factors complicated the situation. First, some extremist Jewish groups in New York had threatened to assassinate Mr Yasser Arafat, the PLO Chairman, and all his colleagues, and this led to massive US and UN security precautions. The UN buildings were closed to tourists throughout the Palestine debate, and even official visitors were required to show their passes. There were a number of minor scares as diplomats hastily evacuated meeting rooms after hoax warnings had been received, but fortunately catastrophe was avoided.

The other factor was that the Assembly's President was Mr Bouteflika of Algeria, the third Arab to be elected to the presidency.* Whatever may have been Mr Bouteflika's personal inclinations, the reception of the PLO delegation was bound to raise unprecedented protocol problems. What advice Mr Bouteflika received from the Secretariat is not a matter of public record, but there were certainly some raised voices in the small ante-room behind the podium in the General Assembly hall before Mr Arafat addressed the Assembly.

Much of the discussion about protocol was relatively trivial, such as the colour of the chair on which Mr Arafat should sit while being introduced. In the event, the President of the General Assembly insisted that the gold chair on which Pope Paul had sat should be brought out of storage—to the intense irritation of the Israelis.

The third problem concerned the conduct of the Palestine debate itself. Apart from the PLO, there are twenty Arab Members of the UN. It was

* His Arab predecessors were Mr Charles Mâlik of the Lebanon (1958–9) and Mr Mongi Slim of Tunisia (1961–2).

taken for granted that all or most of these Arab states would want to take part in the debate and that whatever their variations of style and substance, all Arab speakers would use the occasion to attack Israel. In the light of previous experience, Israel had placed her name on the list of speakers for every single day—as, indeed, had two other delegations.

On the second day of the debate, the President of the Assembly drew attention to the problem of multiple appearances on the list of speakers. He then mentioned two rules of procedure, one of which empowers the President to *propose* a limitation of the number of times each representative may speak on any question and another which authorizes the Assembly itself to *establish* such a limit. The President then proposed that, without prejudice to the normal right of reply, the right to speak in the debate should be limited to a single intervention by each delegation. This was approved by 75 votes to 23, with 40 members abstaining or absent.[4]

This incident was widely misreported in the press. The ruling of the President, supported by a majority of the Assembly, did not interfere with the so-called right of reply, which is usually exercised at the end of the meeting rather than immediately after the speech being replied to. What it did was to prevent Israel (and two other delegations) from speaking every day, whether or not there was anything to reply to. I have long advocated a more rigorous policy of limiting the number and length of speeches, but to introduce this at such a critical time and on such a delicate issue was bound to provoke an angry riposte from Israel and a wave of uneasiness in the Western camp. As Israel had already spoken in the debate, her ambassador circulated a written statement, using the tough language which is his wont, and Egypt circulated a shorter but equally tough reply by the PLO.

At the end of the debate, the Assembly approved a resolution setting out the PLO case and making no concessions to Israel and her friends, and also decided to grant the PLO observer status at the UN. It remains to be determined what observer status for a liberation movement means in practice, and it will be interesting to see whether other liberation movements will seek the same status.

The vote on the main Palestinian resolution was 89 to 8, with 41 abstaining or absent. Seventeen UN Members which had voted in favour of hearing the PLO were sufficiently disturbed by what Mr Arafat said (or did not say) or by the content of the resolution to switch to abstention or absence on the issue of substance,[5] and Norway changed from an affirmative vote on the invitation to a negative vote on substance. Although the tide of opinion has been moving in the PLO's favour in recent

[4] Burundi, one of the absentees, subsequently advised the Secretariat that it had intended to vote in favour.

[5] The Members which switched were mainly Western or Latin American.

months, the drop in vote in the General Assembly between October and November was a minor setback. If the PLO leadership genuinely wishes to use the diplomatic method rather than violence, it will have to accept Israel's legitimacy, and this may require a decision by the full Palestine National Council.

The three procedural decisions taken by Mr Bouteflika in November, two of them endorsed by considerable majorities in the Assembly, are bound to cause Western governments to review their policies towards international organizations. Mr Bouteflika did not consult the Assembly's General Committee, one function of which is to 'assist the President in the general conduct of the work of the General Assembly . . .' Nor were any of the matters raised at the informal lunches or meetings which the President has from time to time with the Secretary-General and the chairmen and secretaries of the Assembly's seven Main Committees. Whether he took the advice of the Secretariat on any of the issues has not been made public, but there was certainly an air of despondency in the upper echelons of the UN staff in the middle of November.

It is undoubtedly difficult for the UN to tackle Middle Eastern questions in New York City, with its substantial and influential Jewish community. New York City was very edgy during the Palestine debate. The UN meets in a large glass house, but its political organs should not pay undue heed to the immediate environment—though this cannot be the reason why President Amin has proposed that UN headquarters should be moved to Kampala.

The General Assembly has had partisan presiding officers in the past it has itself taken decisions contrary to the Charter and its own rules of procedure: bloc voting was resorted to by the West long before there was an Afro-Asian group. What happened during the past session was not new. Indeed, it is not easy for a Westerner to be sure whether 1974 was the year the UN went into decline or the year it faced for the first time the need for the new political and economic order which is necessary if the world is to avoid disaster. And whatever harsh things may be said about the way the Assembly handles dramatic issues like Southern Africa and the Palestine question, the fact remains that the Security Council continues to be a sober body, dealing responsibly with such issues as Cyprus or the border difficulties between Iran and Iraq or international peacekeeping, and in which the main polemical debate is between the Soviet Union and China.

Berlin in the age of détente

KLAUS SCHÜTZ

In a difficult period of transition from the years of the Cold War, Berlin remains the test case for the political goodwill of East and West. But the foremost task is further normalization of the city's daily life.

It would be wrong to think that because of détente Berlin has suddenly been transported to a new situation, which is one free from conflict. Many features of the Cold War are still manifest today, and we remain surrounded by a Communist society, which now as ever takes a rather hostile stand towards us. However, the Four Power Agreement on Berlin has brought improvements for our city in general and has made life easier for every Berliner. These improvements are so important and significant for us that we rightly regard the Berlin Agreement as the central event in our city's recent history. Moreover, the Agreement is, without any question, of central significance for East–West relations on the German as well as on the European and world political levels. Here was the most difficult point for the two sides to reach an agreement on, and all these levels had to be involved in order to achieve an understanding about Berlin. I will attempt briefly to outline the political process that has led to the Agreement and to insert in this major, primarily political, framework a few details concerning its effects on everyday life in the city.

I am not trying to fit two things together that do not fit; one of the peculiarities of Berlin is that all too often even the so-called minor things have some connection with world politics. But where a wall divides a city and where the boundary of a half-city coincides with the divisive border of a country, which is, at the same time, the border between two world powers and two alliances and also two social systems, there is the point where the whole mass of contradictions converge. The great significance of the Berlin Agreement lies in its having abolished uncertainties and settled them as far as possible. How did it come about?

An *Ostpolitik* meriting the name could be initiated when the social-liberal coalition was formed in 1969 with Willy Brandt as Federal Chancellor and Walter Scheel as Foreign Minister. The basic idea was to achieve a normalization of relations with the Soviet Union and her allies, in recognition of the situation that had developed in post-war Germany

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and while safeguarding our interests. The aim was to relax tension in Central Europe, above all in Berlin, and within the framework of normalization efforts between East and West as such to make Germany's own essential contribution towards safeguarding peace.

At no time did the Federal Government let any doubts arise that the normalization aimed at would affect the Federal Republic's integration in the West; what is more, it has called the ties with the United States and Western Europe the basis of its *Ostpolitik*. Necessarily the most difficult point in this policy was Berlin, the place most affected by East–West conflicts in Europe since 1945. Thus, one essential object was that negotiations with the leading power of the East and its Warsaw Pact allies should be accompanied by negotiations about Berlin, which, according to the status of Berlin, had to be conducted by the Western powers with the Soviet Union. This interdependence became most apparent in the fact that the Federal Government made the so-called Treaties with the East contingent upon a satisfactory Berlin settlement, and that the Soviet Union in turn made a Berlin settlement contingent upon the conclusion of treaties between the Federal Government and herself and with her allies, above all with Poland—although there was no legal connection between these. This political project, extremely complicated for many reasons, has been brought to a successful conclusion. The agreements of Moscow in August 1970 and of Warsaw in December 1970 cleared the way for a successful conclusion of the negotiations of the Four Powers on Berlin.

Consequences of Berlin Agreement

The Four Power Agreement on Berlin[1] was signed on 3 September 1971; the supplementary negotiations with which the Four Powers charged the two German sides on two levels—Bonn and East Berlin negotiated transit traffic, and West and East Berlin travel and visitor traffic—were concluded in December 1971; on 3 June 1972, the Four Power Agreement on Berlin took effect. The Agreement has now been in force for two and a half years. It has proved itself, by and large.

Two things in the Agreement are fundamental for our city. First, the Soviet Union has confirmed the right of the three Western powers to be present in Berlin. And secondly, she has, for the first time and contrary to her former policy, acknowledged the ties between West Berlin and the Federal Republic of Germany. To us in Berlin, these two facts mean increased security and viability.

In addition, there are the improvements that the Agreement has brought the Berliners. On the surface routes between the Federal Republic and Berlin, the traffic of persons and the transport of food are now

[1] For details, see Dieter Mahnke, 'The Berlin Agreement: balance and prospects', *The World Today*, December 1971.

unimpeded. And West Berliners can travel to East Berlin and to the GDR.

The consequence of all this is that the city no longer needs to occupy itself primarily with survival and self-assertion but can turn its efforts more towards progress and look to the future with an easier mind—and all this applies to each individual inhabitant. Not that we, the city and the Berliners, wholeheartedly embraced the effects of the Agreement. The improvements were not such as to restore old and familiar customs; indeed, Berliners had to become accustomed to new features. Of course, they knew East Berlin and their friends and relations there—but neither the Eastern part of the city nor the people living there had remained unchanged. Nor had the West Berliners. And this factor applied even more strongly where visits to the GDR were concerned, either to friends or on tourist trips. The young generation of West Berliners did not even know the surroundings of their city, let alone Mecklenburg or Saxony. The effects which this had, and still has, on the outlook of the people of West Berlin can be easily imagined.

I will try to illustrate the effects of détente on the people of Berlin by a short digression on the subject of ordinary telephoning, because this example helps to explain a number of things at the same time. First of all, the telephone example goes to show clearly that we are concerned in Berlin with quite simple matters, which are not even mentioned elsewhere. It is these minor things of everyday life, which in Berlin are not minor things, that we have in mind when we say that life should be made easier for the inhabitants. Up to five years ago it would have been completely inconceivable for Berliners, from their experience and judging by the then existing political situation, to be able to talk to one another on the telephone. So when this first became possible it was a sensation fit to be published on front pages and worth a headline. In the meantime, telephoning between West and East Berlin has become more of an everyday thing, although it is still not as easy as it might be. This is a real improvement for all Berliners, including East Berliners. It is not just that something as natural as telephoning has now become natural for us again. After our past experience, this is a fresh start. And finally, the history of the establishment or re-establishment of telephone connections in Berlin illustrates with what efforts arrangements of that kind are made, and how time-consuming such processes between West and East can be, not only in Berlin.

The fact that conditions in this and in various other fields in Berlin have returned to normal to such an extent, and continue to be further normalized, is a result of the endeavours to come to agreements with the East, and would never have been possible without the major and overriding political framework. We can truly say that the Four Power Agreement has thoroughly broken the ice of the Cold War. But we still do not expect continuous spring weather.

The attitude of West Berliners is now essentially determined by the knowledge that they have survived the long years under pressure from 1946–8 until the beginning of the present decade, in accordance with their political volition. However, they cannot, nor do they want to, simply shake off the experiences of these many years. They will not just cast off their old garments which have worn so well. They still need final reassurance by unrestricted and uninterrupted functioning in practice, as envisaged by the Berlin Agreement.

One must understand that this is said of people who for a quarter of a century were exposed to restrictions and pressures and who now, when the present has become more agreeable and more open and the future more reliable, still hear at the same time the shootings at the Wall. And nobody should forget that the notion of coming to agreements with the East was being formed and proposed in Berlin at a very early stage, when Willy Brandt was Governing Mayor of Berlin, and very shortly after the erection of the Wall, i.e. much earlier than in the Federal Republic of Germany in general or even in the ministries in Bonn; equally, as with the pass agreements, the first practical steps in this direction were taken in Berlin.

This ambivalence is easily explained by the city's situation. From the second half of the forties until the beginning of the seventies, Berliners had to achieve a balance between the, at times, complete negation of an existence in freedom and democracy which they wanted to lead and both the necessities of and their desire for as normal a life as possible. The consequence that grew out of this was and is that they began looking around for arrangements with the other side at an earlier stage and more keenly than others, as they still do, and that afterwards they remained critical vis-à-vis the first signs of an understanding for longer and to a greater degree than others.

There are reasons for this attitude on the part of Berliners also at the present stage. The Agreement has not been smoothly implemented in all respects and even now we find violations of it on the part of the GDR. The representation abroad of West Berlin by the Federal Republic is not being fully complied with everywhere, and Federal activities, which are an expression of the ties and are unequivocally provided for in the Agreement, are being attacked. A year ago so high a financial penalty was imposed on travel and visiting by West Berliners to East Berlin and the GDR that the number of visitors and travellers—above all older and less well-off people—has considerably decreased. And finally, the other side's behaviour on the transit routes has not always been in accordance with the Agreement.

Whatever happens and happened in this respect, we press for strict adherence to and full implementation of the Four Power Agreement also on the part of the GDR. And our insistence has not been without success

To mention just one example: the financial burdens imposed on West Berliners for their travel to East Berlin and the GDR, which constituted a violation of the Agreement, have now, a year later, been partially lifted. We insist on a complete return to the initial terms. On the whole, however, we can say that the Four Power Agreement has undoubtedly improved the situation. Moreover, no one in Berlin, not even opponents of the *Ostpolitik*, want to turn the clock back to the time before the Agreement.

Effects of treaties with GDR and Eastern Europe

The second major stage of this policy was marked by negotiations of the two German states for an agreement on the basis of relations between the Federal Republic of Germany and the German Democratic Republic, as well as by the completion of the *Ostpolitik* by means of a treaty with Czechoslovakia and the establishment of diplomatic relations with the other East European countries, with which we had no fundamental disagreements. After lengthy disputes, the Basic Relations Treaty with the GDR[1] was agreed on in December 1972, and it came into force in June 1973. The negotiations with Czechoslovakia, which were difficult for different reasons,[2] were brought to a conclusion in December 1973. After Romania, with whom diplomatic relations had existed for some time, diplomatic relations with Hungary and Bulgaria have now also been established.

For us in Berlin, the Basic Relations Treaty between the Federal Republic and the German Democratic Republic is of special importance. It lays down that agreements on various fields are to follow—the so-called follow-up agreements. As provided in the Basic Relations Treaty, and in accordance with the Four Power Agreement, Berlin has indeed been satisfactorily included in two follow-up agreements concluded last April. This must also be the case in further follow-up agreements. The most conspicuous instance of the inclusion of Berlin in agreements between the two German states is the exchange of so-called Permanent Missions of the two German states in Bonn and East Berlin agreed last March: it has been settled that the Permanent Mission of the Federal Republic of Germany in East Berlin will represent the interests of West Berlin and its residents.

Anybody who tries to summarize all efforts made concerning Berlin and its inhabitants will admit that Berlin is no longer in danger of remaining in the state to which the Cold War had reduced it; it is, thus, potentially no longer in danger of being mobilized, as accumulated fuel for conflict left from the Cold War, for Cold War intentions. Berlin is

[1] See Hilary Black, 'The East–West German Treaty', *The World Today*, December 1972.

[2] For background see Robert W. Dean, 'Bonn–Prague relations: the politics of reconciliation', *The World Today*, April 1973.

included in the trend towards further détente and developments leading to East-West arrangements and, occasionally, to co-operation on various levels.

This stage is not at all easy for Berlin. The present problem is to make everybody realize that the city is in the process of transition from many years of Cold War, and after the extraordinarily difficult evolution of détente, to as normal a life as is possible in Berlin. It is difficult to bring about this realization.

Difficult adjustment

In the minds of all Germans, Berlin is quite naturally a capital. Centuries ago it was the capital of Brandenburg, later the capital of Prussia, and since 1871 the capital of the German Empire. This is no longer so. But the memory is still strong because many people experienced Berlin in its unrestricted function as a capital. And, what is more, it was in this capacity that Berlin was seen during most of the Cold War period. Bonn was the temporary, Berlin the 'real' capital, which it would fully become again if only reunification could be achieved. In this sense Berlin was the past and the future capital, it was a beacon of hope while the country was ever more deeply divided. To this classic role of Berlin as a capital was added, as it were, its second classic role, which is a consequence of the East-West conflict and the Cold War and even more vivid in most Berliners' minds: front-line city, island of freedom, outpost of democracy—these were expressions used at the time when the free part of the city had to assert itself in the face of threats and force. I believe I am right in thinking that this is still a very widespread view of Berlin, held even with more recent developments in mind. Neither of these classic roles of Berlin is by any means dead. The perseverence with which people cling to experiences and habits is not the only reason for this: both roles reach out in part to embrace the present. This applies to the first role, as division has fundamentally and naturally never been accepted, and to the second role, since now as before there are facts to support it. But neither of these roles defines Berlin sufficiently or completely any longer, and in the light of reality they no longer open up an unequivocal future.

In this situation, it is natural to ask what role Berlin is to play. But I feel that the question should be whether Berlin needs a *role* at all and whether it must be *one* role. And if one does look for a role, the next question is how Berlin can find a new understanding of itself in this role not in an ideal or propaganda sense, but in a real and functioning sense.

To my mind, it is not possible at the moment to describe Berlin's present and future roles as clearly and simply as when it was the capital of the German Empire or when it had a special role during the Cold War. We must, instead, be patient and wait and see how East-West relations develop globally and more particularly in Europe and in Germany. Some

thing for Berlin will result from this process. At present it is useful to consider the facts in and about Berlin in the light of the situation and to make our intentions clear.

A modest ambition to start with. To safeguard our city and its democratic and liberal system and to make life easier for more than two million people are values in themselves, values that take priority over the question concerning the political function of Berlin, and even more over the question concerning the new role of our city. Normality and everyday life are not at first sight political categories. We have turned them into such and declared them to be our objectives. The Four Power Agreement represents great progress in this very context. We shall continue to regard the further normalization of everyday life in Berlin as our foremost task. Certainly that does not sound overwhelming. But in Berlin the normalization of everyday life coincides with the normalization of East–West relations, meaning above all those between the two parts of Berlin, and between the two parts of Germany and Europe.

It was never possible and it is impossible now to see municipal and communal affairs in isolation. It will be impossible in the future, too, because the future of Berlin will not happen in a place that is isolated and secluded. More: Berlin would lose its future if we thought this way and if we felt we could now settle back comfortably in more relaxed conditions. The border, even if it should change, will remain a decisive factor for Berlin for a long time, probably *the* decisive factor.

It is our aim in Berlin, in the future as in the past, to provide initiatives for understanding between East and West, and, wherever this is possible and useful, to serve as a mediator between them. The Federal Republic of Germany under the social-liberal coalition and we, too, in Berlin are concerned with breathing life into this system of agreements, for the benefit of the people in both East and West. All this does not really sound fantastic at all, in fact it sounds rather sober. But it is just the sober accomplishment of our tasks in Berlin that we regard as a decisive contribution towards maintaining peace and as the historic opportunity to achieve a permanent settlement in Europe. In all this Berlin will continue to be the test case for the seriousness of political goodwill and the validity of any détente in Central Europe. It has still not been released from this decisive function.

Morocco: political and economic prospects

JOHN DAMIS

The king has tried to shore up his authoritarian regime with some rudimentary reforms. Its chances of survival will depend largely on the success in attracting foreign investors, who stayed away after 1971 owing to the uncertain political outlook.

THE onset of the 1970s brought a serious challenge on the part of certain sections of the military establishment against the regime of King Hassan II, who has ruled Morocco since 1961. In July 1971 several high-ranking army officers led an attack on the royal palace at Skhirat, south of Rabat on the Atlantic coast, during a celebration of the king's forty-second birthday, and in August 1972 the regime's strongman, General Mohammed Oufkir, directed an attempt by air force officers to shoot down the royal Boeing 727 as the king was returning from a vacation in France. In both cases Hassan narrowly escaped with his life. Though the two attempts varied in their origins and especially their execution, the result if either had succeeded would probably have been much the same—the substitution of an authoritarian military regime for what has increasingly become an authoritarian police state. Morocco now bears a striking resemblance to Greece under the junta. The reliability of the military has been seriously called into question, requiring more repression against opponents of the regime and more reliance on 'internal security' forces involving in Morocco the Ministry of the Interior. Apart from the political opposition, most Moroccans would prefer the strong but familiar hand of the king to the uncertain rule of a military strongman like Oufkir. Thus few tears were shed when both the attempted coups ended in failure.

Since 'the events of Skhirat' in mid-1971 the king has tried in various ways to broaden the base of his shaky regime. At the same time some of his opponents who have run out of patience have begun to resort to more radical means for bringing about change.

The year between the two coup attempts was dominated by long negotiations between the palace and the various groups and parties of the opposition. In the aftermath of Skhirat, the king was anxious to form

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broadly-based 'government of national unity' as a counterweight to an army whose loyalty had now become suspect. The opposition, on the other hand, wanted to reverse the tendency towards royal authoritarianism ushered in by the 'state of exception' from 1965 to 1970 and then formalized in Morocco's second Constitution, approved by a national referendum in July 1970. The negotiations, which lasted from July 1971 to March 1972, centered on two issues: the content of a new constitution (Morocco's third since 1961) and the orientation and distribution of ministries within a new government.

In February 1972, the king announced a new constitution under which two-thirds (instead of one-third) of the parliament would be directly elected. The opposition could accept this formula but not the fact that the new constitution was prepared without its participation, nor the announcement that a constitutional referendum and new parliamentary elections would be held *before* the formation of a new broadly-based government. The question of sequence was far more than a matter of form: unless the opposition could have a hand in organizing the referendum and the elections, it could not hope to prevent the blatant rigging and manipulation carried out by the Government in 1970. But its boycott of the referendum was ineffective, and the Constitution was approved by the expected 98·7 per cent majority.

Fruitless negotiations

Just when agreement on the composition and orientation of a new government seemed within reach with the full participation of the leading figures of the opposition, the palace abruptly broke off the negotiations, blaming the opposition for its bad faith and exaggerated demands. For their part, the opposition must have felt—as they had so often during the past decade– manipulated and outmanœuvred by the king. According to informed sources, the two sides actually came very close to agreement. The king was clearly anxious to include a broad spectrum of organized parties in a new government. And virtually all the leaders of the opposition were ready to accept a formula giving them some share of the power while leaving the ultimate authority with the king; more specifically, they would have accepted an arrangement giving the executive even more power than that granted by the Constitution of the Fifth Republic. In retrospect, a major reason for the breakdown was the failure to resolve the important issue of whether a majority government of opposition elements would have economic policy-making powers or would be constrained to carry out the king's policy.

The king seemed to emerge from the aborted negotiations in a commanding position, while the opposition fell to squabbling among its various components. The subsequent period of calm was shattered in August 1972 by the second attempted coup. In the confused aftermath of

the Boeing affair, Hassan announced that he could no longer place his trust in anyone and proceeded to take steps to 'purify' the armed forces. Another round of negotiations with the opposition again proved fruitless, and in November a new Government was formed with the king's brother-in-law, Ahmad Osman, as Prime Minister—a move that was obviously unacceptable to the opposition.

Trial of urban and rural guerrillas

Simultaneously, during the autumn of 1972, the trial of the Augu conspirators was held at Kenitra. It proved to be a traumatic experienc for many Moroccans. The defendants recounted their painful decisio to join General Oufkir's attack against the king. They explained th they were faithful monarchists but that they could no longer tolerate th corruption of the royal court. Because of their forthright acceptance o responsibility at the trial, some of the air force defendants became hero for much of the public. The king concluded from the Boeing affair th the court's leniency towards the Skhirat defendants (at Oufkir's insis tence, it is claimed) had only encouraged a second coup attempt. Deter mined not to repeat this mistake, Hassan had the 11 main defendan executed in January 1973 on the day before the major Muslim holiday Aid al-Adha. Letter bombs reached two opposition militants the sam day, one of them exploding and seriously injuring Mohammed al Yazghi, a leader of the National Union of Popular Forces (UNFP).

Violence breeds more violence, in Morocco as elsewhere. In ear March 1973 the annual 'Feast of the Throne' was interrupted on tw fronts: in Casablanca and Rabat, bombs were set (but failed to explod at the American Consulate General, the American Cultural Centre, an in the national theatre; in the countryside, limited guerrilla operatio were launched against administrative centres in the Middle Atlas mou tains and in the Tafilelt region of the south, and an outpost was attacke on the Algerian frontier. The guerrillas failed to rally popular support an most were quickly killed or captured by national security forces rush to the scene, though mopping-up operations were still being carried out isolated areas several months later. When interrogations of the captur men revealed links to the UNFP, the major opposition party, the ki moved swiftly. In early April several hundred left-wing Morocca (including al-Yazghi) were arrested, and many of them were tortur At the same time the Government suspended the Rabat faction of t UNFP.

From late June until the end of August, a military tribunal in Keni tried 159 men charged with an 'attack against the security of the stat The defendants fell essentially into three groups: about half w allegedly connected to the urban terrorist cells in Casablanca, a som what smaller number came from the Rabat wing of the UNFP, and t

ıst were guerrillas captured in the rural areas. The Government hoped prove that the urban terrorist cells were linked to the Rabat wing of the NFP. Such a link could provide a rationale for permanently outlawing e UNFP.

The testimony of the captured guerrillas revealed a curious 'Algerian nnection'. Though the rural dissidents had Soviet and Czech weapons esumably supplied by Libya, they had infiltrated into Morocco from geria. The group, originally about 30 in number, had entered the untry through Figuig and then split into three groups destined for oulmima, Tineghir, south of the High Atlas mountains, and Khenifra the Middle Atlas. Some of the defendants testified that they had ceived military training in Algeria at Arzew in 1967. While it is not ar if the Algerian Government co-operated (at least passively) in the iltration, it did provide a sanctuary or rear base area for Moroccan iles and gave them (through the FLN) a monthly subsidy of about o. Two of the defendants, both members of the UNFP, declared that y had taken refuge in Algeria because of the 'persecution' that they d endured in Morocco.

The possibility of an Algerian sanctuary for Moroccan dissidents takes added significance in the light of the impression given by the infiltors that they were just the first of many successive waves. But the erian Government did not want to alienate the Moroccan regime, ose ratification it sought for the border agreement signed in June 1972, , following the March events, Algerian security forces rounded up delivered a number of political refugees to the Moroccan Governt (these men subsequently went on trial at Kenitra). This and a ilar incident in 1971 suggested that the Moroccan opposition can ext little aid from the Algerian regime at the present time.[1]

he verdicts handed down in the Kenitra trial—16 death sentences 72 prison sentences ranging from two years to life—were considered derate by many observers. On the other hand, the Government did release the 71 defendants who were acquitted; only two weeks later it become known that the men were being held in prison pending stigations of new charges of plotting against the regime.

n July 1973, during the Kenitra trial, a second trial began in Casaca with 81 defendants charged with 'an attack against the security of state, the illegal carrying of arms, and possession and use of explo.' In September, 67 of the defendants were convicted, though no h sentences were pronounced. Several young opposition militants ived sentences of 10 or 15 years in prison, including Anis Balafrej, of the former personal representative of the king. It is widely believed

[1] he Algerian Government has not significantly aided the Moroccan opposiince 1969 when Morocco and Algeria signed a number of agreements dealing economic and frontier questions. After 1969 the Moroccan opposition ved help from Syria, and since 1971 it has been aided by Libya.

that some of the convictions resulted from the defendants' Marxis Leninist beliefs rather than any specific actions.

Superficial reform

The refusal of the opposition to participate in a coalition governmen direct attacks from within the military, urban terrorism, and rur guerrilla operations have all underlined the king's increasing isolatio During 1973 the ever-resourceful Hassan responded to this situation wit a variety of programmes intended to give an impression of change an progress. A case in point is the very ambitious Five Year Plan (1973–77 which calls for an average growth rate of 7·5 per cent and more thar double the total investment (to about $7 billion) of the old Plan. Th 'Moroccanization' decrees of 2 March and 7 May 1973 fell into the same pattern. By moving against certain types of foreign businesses, Hassa played one of the opposition's favourite cards. According to the decree a wide variety of businesses were required to be at least half-owned an operated by a majority of Moroccan nationals within one year; for second category of generally larger enterprises, including banks an insurance companies, the deadline was placed at two years. A third cate gory, including most industry, mines, hotels, restaurants and bars (th last three service the tourist trade), remains untouched.

Hassan also took measures in March 1973 on the external front, as to prove that he was no one's 'imperialist stooge'. First he extend Moroccan jurisdiction over coastal waters from 12 to 70 miles. The ne 70-mile jurisdiction covers the fertile sardine and tuna fishing groun which Spanish boats had been working with considerable success. The the king announced that Morocco would send an expeditionary force help the Syrians defend the Golan Heights against 'Israeli aggressio The expeditionary force, composed of two tank brigade units and cl to 3,000 men, reached Syria in July and fought on the Syrian front duri the October war. A second force, consisting of infantry and tank un with 2,000–2,500 men, fought on the Egyptian front.[a]

An area where the king has said much but done little is land refor Morocco is primarily an agricultural country, where two million famil and ten million people (nearly two-thirds of the population) live in ru areas. Yet despite the fact that the rural population had increased 200,000 annually, the regime between 1957 and July 1971 distribut total of only 150,000 acres affecting an average of 521 families per ye (denounced by the opposition as 'a mere drop in the bucket'). In aftermath of Skhirat, the Minister of Agriculture announced that anot

[a] For a more detailed account of the Moroccan expeditionary forces, see article, 'Morocco's Part in the October War', *Middle East International*, N (December 1973), pp. 14–15. Because of the strong performance of the Moro units fighting in the Suez Canal area, King Hassan's image among the Egyp public has considerably improved.

5,000 acres would be distributed in the next year and a half. Yet thing was done until after the Boeing affair 13 months later when, thin two months, the land was promptly distributed. But the 1972 tribution affected only 0·8 per cent of the landless peasantry. Even if e Government's land reform programme for the next five years is fully plemented—which is not likely—only one per cent of the rural popuion will be affected.

Supporters of the regime point with pride to the impressive number of ms constructed during the past several years. But here, too, the perrmance is deceptive. Often the Government does not follow up the nstruction of a dam with the digging of the secondary irrigation canals d ditches necessary to maximize the benefit for the surrounding farm d. Inaugurating dams makes excellent publicity for the king, suprting the image of an energetic ruler committed to the economic velopment of his country. Thus the meeting in July 1973 of Hassan d Presidents Boumedienne of Algeria and Ould Daddah of Mauriia took place at Agadir so that the king could inaugurate a nearby dam. gging irrigation ditches, by contrast, is a far less spectacular activity.

vileges and corruption

Despite the superficial impression of movement and change, the basic ucture of Hassan's regime remains unaltered. It continues to monoize the 'spoils' of the country for the primary benefit of a very wealthy e, about a thousand people headed by the royal family and including isters and other high government officials, big businessmen, and e landowners—individuals co-opted by the king who have then ceeded to enrich themselves at the expense of the rest of the country. Corruption continues at the highest levels, despite various clean-up paigns and the imprisonment of a few officials and businessmen. e king has been accumulating vast personal wealth through a variety neans. During the past few years, for example, the palace is said to e taken possession of a great deal of land, either purchased at low es or received as gifts; in both cases the former landowner was rded with a royal favour. After two attempted coups, some members e elite no doubt feel uneasy about displaying their wealth. Thus one fewer Mercedes in Rabat's plush ministerial quarter of Souissi for a months following the second coup attempt. Corruption also pertes the middle and lower levels of administration and business. Bribes, backs, and protection money are not discouraged by the regime; on contrary, the corruption is carefully manipulated and regulated so it contributes heavily to the regime's survival and cohesion. At every Moroccans are dependent on favours from above, and at the apex king controls the largest source of patronage. This quest for and ibution of spoils takes a heavy toll of Morocco's economic develop-

ment; entrepreneurial money is diverted from long-term investments to short-term speculation and protection payments, and bureaucratic energy is diverted from administration to self-aggrandisement.[8]

State of the opposition

Having been weakened since early 1972 by internal divisions, repression, and the king's skilful adoption of some of its favourite political demands, the political opposition is, for the present at least, in disarray. When Hassan presented Morocco's second Constitution in July 1970, the UNFP and the rival Istiqlal (Independence) party put aside their long-standing differences and formed a National Front (*Kutla Wataniyya*). The *Kutla* functioned during the next year as a loose coalition which encouraged the 'association' (rather than the 'integration') of all Moroccan political organizations that supported democratic and socialist reforms.

This temporary and limited unity did not survive the negotiations with the palace from the summer of 1971 until the following spring. The king skilfully exploited old rivalries through secret negotiations and by making and withdrawing similar offers to different individuals within the *Kutla*. Gradually the old divergences reappeared, not only between the Istiqlal and the UNFP but also within the UNFP. Both tactical and ideological differences had deeply divided the Ibrahim-Ben Seddiq (Casablanca) and Bouabid (Rabat) wings of the UNFP between 1961 and Ben Seddiq's imprisonment in 1967. At the end of July 1972 a rupture occurred between the two wings that will be difficult to heal. Younger militants in the Rabat wing criticized the Casablanca wing for its caution and inactivity, while the latter, in turn, denounced the Rabat militants as young opportunists.

The regime retains possession of the instruments of repression and it moves against the opposition whenever necessary. It does not hesitate to seize the opposition press and to kidnap, torture, and imprison troublesome individuals. The crackdown in March 1973 was reminiscent of earlier repressions in July 1963 and March 1965. The most threatening element at present would seem to be the Rabat wing of the UNFP, and the Government will most likely maintain this group's suspension for the foreseeable future. Mild criticism in the press is tolerated for two reasons: it does not present a serious threat to the Government and it enhances the image of a liberal regime, fitting the official propaganda of a 'crowned democracy' in Morocco.

The opposition's future, however, is not so bleak as may appear. Beneath the apparent political stagnation can be found subtle changes in

[8] For a revealing analysis of how corruption operates in Morocco, see John Waterbury, 'Endemic and Planned Corruption in a Monarchical Regime', *World Politics*, Vol. 25, No. 4 (July 1973), pp. 533–55.

the political culture. Since the late 1960s a gradual radicalization of certain groups (students and perhaps some unemployed workers) has occurred, accompanied by a shift of sentiment among wide sectors of the population. What is significant is that the change is all in the same direction: away from support of the king. Thus royalists (even among the elite) have become less so, some who a few years ago were neutral have become sympathetic to the opposition, and elements of the opposition have been radicalized.

A variety of militant peasant actions, including the forceful seizure of land and the sabotage of railroad cars, has sporadically punctuated the life of the countryside since 1970, but the rural areas, where the opposition has had difficulty penetrating (or has simply been banned by the Ministry of Interior), are generally calm. Yet even among the traditionally conservative and royalist peasantry Hassan, through the poor performance of his regime, has lost some of the support enjoyed by his revered father, Mohammed V—a support linked to religious symbols and buttressed by traditional authority patterns dominant in the countryside.

Economic problems

In the long run Morocco's economic difficulties, and especially the uneven distribution of income, are bound to help the opposition. The country's respectable average annual growth rate during the last Five Year Plan (1968–72) of 5·5 per cent was largely erased by a high rate of 3·2 per cent in the growth of the population. Economic growth was helped by a fortunate succession of fine harvests. But in 1973 drought led to a poor harvest of feed grains in the south. To cover the shortage the Government had to import about 900,000 tons of soft wheat in 1973 at prices 49 per cent higher than the 1972 price on the international market, and these purchases cut heavily into the foreign exchange reserves. The growth rate for 1973 was less than 5 per cent, far below the 7·5 per cent called for by the new Five Year Plan.

Although some categories of industry such as cement production are now booming, the agricultural sector has been essentially stagnant since the early 1960s. In addition, because of inflation and declining purchasing power among the rural masses, the standard of living of most of the population has actually been falling. The average per capita income is now estimated to be about $200. But even this figure conceals an enormous inequality in the distribution of wealth: the average income of 14 million Moroccans, or nearly 90 per cent of the population, is probably not much more than $100 a year.

On top of this, the job market is expanding much more slowly than the available manpower or skills. Unemployment ranges from 20 to 30 per cent in the cities and probably averages about 40 per cent in the rural areas. Counting underemployment, the figure could be as high as 50 per

cent and will become worse as time goes on. At the present rate o growth, it is estimated that the per capita income in Morocco will n reach $500, the figure often cited as the threshold for an econom 'takeoff', until the year 2014. Meanwhile, neighbouring Algeria is ex pected to achieve this same level of per capita income by 1981 an Tunisia by 1990.[4]

Alienation of youth

Since 72 per cent of the population is under 30 and 56 per cent unde 20, another factor that must progressively strengthen the oppositio is the widespread unrest among the younger generation, particularl students. University students, sometimes joined by those in secondar schools, went on prolonged strikes every year from 1970 to 1973. In 19 the Government provoked a confrontation with 4,000 students at th Faculty of Letters in Rabat. The Faculty was closed down at the end o January, 90 per cent of the students were expelled, and the radica National Students Union (UNEM) was forced to disband. Six month later the Government authorized the expelled students to take th exams given in September, but the disruption was extremely costly f many in this group who had since taken jobs, dropped their studies, o gone abroad to pursue them. The strikes, the confrontations with th police, and the arbitrary actions of the regime have all served to politiciz a large number of students.

The Government announced in mid-1973 that all graduates of the university and the professional schools would be required to do tw years compulsory national service. This policy previously existed fo certain categories of students (medical school, for example), but it ha now been generalized. The king argues that too many students have bee misled by foreign influences and have strayed away from Islam, and tha they do not really know their own country. The new policy will preven university graduates from going abroad immediately to pursue a advanced degree. Many students will get married or involved in othe activities during their two years of national service, and it will be difficu for them to resume their studies.

Moroccan youth has become increasingly alienated from the regime Its grievances range from the arbitrary and sometimes archaic features the educational system to the lack of adequate jobs following graduatio Many are unhappy that meritocracy operates only up through the midd levels of any Moroccan organization—to the level of *chef de service* *sous-directeur*; promotions beyond that point come mainly through co nections and influence. While only a small minority of the young becom active supporters of the opposition, the widespread alienation provide

[4] See Mohammed Lahbabi, *Les années 80 de notre jeunesse* (Casablanca: Editio Maghrébines, 1970).

reservoir of sympathy that can be tapped in the coming years. In some cases, the radical youth have outflanked the opposition on the left. Thus in early 1972 the UNFP lost control of UNEM, whose Executive Committee was dominated by radical students. In the last three or four years a certain type of militant has become increasingly conspicuous among the ranks of the opposition: a man in his early or mid-thirties who was active during the 1960s in the UNEM or the twice-banned Moroccan Communist Party.

Since the second attempted coup in mid-1972, King Hassan has dealt harshly with opponents of his regime. Earlier efforts to present a liberal image have been dropped. Thus in November 1973, 15 of the 16 defendants given death sentences in the Kenitra trial were executed. In January 1974 another military tribunal at Kenitra condemned in absentia 62 fugitives who had been convicted for their roles in the March 1973 armed uprising,[5] and in August seven more men were executed for their involvement in this affair.

The Saharan issue

The king was able to divert attention from his internal problems last summer by focusing on an external issue—the recovery of the Saharan territory to the south of Morocco, more commonly known as the Spanish Sahara. This territory, a Spanish colony since 1885, has a mostly nomadic native population of only some 60,000; its principal importance lies in its untapped mineral riches of iron ore, potash, and especially an estimated 1·7 billion tons of phosphates, reportedly the largest deposit in the world. Responding to Spain's call for a referendum on self-determination and her increased mining of phosphates in the territory, Portugal's decision to give up her African colonies, and the urgings of the Istiqlal party, the king declared last July that Moroccans would not permit a 'puppet state' to be set up in the southern part of their country and announced that 1975 would be the decisive year for the liberation of Morocco's Saharan territory.

To gain international backing for his liberation campaign, Hassan launched a diplomatic offensive during the summer months whose one positive result was to line up all the opposition parties solidly behind the government on at least one issue. Outside Morocco the diplomatic offensive encountered opposition by Mauretania, coolness by Algeria, and hesitation by other Arab and African states and Common Market countries to take sides between the rival claims of Morocco and Mauretania. In addition, Eastern Arab states were concerned that the Saharan issue would divert attention from the Palestinian question, scheduled to be debated in the coming session of the UN General Assembly. During

[5] These men are understood to be now living abroad; many are in France, Algeria, or Libya, where they are considered political refugees.

the summer, as Morocco pushed her claim on the diplomatic , relations with Mauretania became increasingly strained. To every surprise Hassan proposed in mid-September that the question of Spanish Sahara's future be submitted to the International Court arbitration, thereby defusing the issue and extricating himself from, awkward situation. At home the king used the occasion to make anothe gesture toward reopening a dialogue with the opposition parties by naming October 1975 as the date for long-awaited elections and by citing the need to form a government of national union several months in ad- vance of the elections.

The Rabat summit conference of Arab states in late October provide another opportunity for Hassan to divert attention from Morocco internal problems. By hosting a meeting of all twenty member states the Arab League and trying to mediate among various parties in order reach a consensus on the question of Palestinian representation, the kin was able to focus a good deal of press attention on his role as an acti statesman in inter-Arab politics.

If the present regime is going to survive over the long run, it will hav to do reasonably well economically. And this will depend in many way on the Government's ability to attract large-scale investment and ai from foreign sources. Because of the political uncertainty, there wa almost no new investment in Morocco between the first attempted cou in mid-1971 and September 1973, when the new Five Year Plan wa finally revealed. The Plan included a new investment code, designed t facilitate and encourage foreign investment by providing guarantees an by eliminating the cumbersome investment board, and during the pa year the Government has been vigorously engaged on several fronts i efforts to attract new investment. Two large increases in the selling pri abroad of Morocco's main export, phosphates, from $16 to $63 a to will also greatly boost revenues . If the regime is successful in its econom performance, it may well be able to provide itself with a buffer against th political rumblings that lie just below the surface.

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otes of the month

RESIDENT FORD AND CONGRESS

URING the first weeks of 1975 almost every economic report coming out f the United States was more worrying than the last. Confirmation that onditions were deteriorating more rapidly than had been realized came ith the January statistics for unemployment—8·2 per cent of the labour orce, 7·5 million people, out of work—and for industrial production—own by 3·6 per cent in the month. Both figures are likely to worsen and either had been equalled for well over 30 years. This made clear what ome observers had been forecasting for months, that the American conomy was not simply in the worst recession since the Second World Var but in a depression comparable to that of the 1930s. The nature of e depression is, however, a completely new one for the United States, nce it combines underemployment of workers and resources with a high ate of inflation; the rise in the cost of living, increasing at an annual rate f nearly 14 per cent at the end of 1974, is slackening at last but there is ttle likelihood that it will level off completely.

Herein lies the Administration's dilemma in handling what it has nally recognized as an urgent problem of re-establishing public condence. It would not be difficult, or at least not according to Keynesian eory, to restore the economy to something approaching full employent, by reducing taxes and increasing governmental outlays. But that ould mean still more inflation, with serious consequences for the onomy of the world as well as for that of the United States. The dministration is budgeting for a deficit of over $50 billion in the coming al year, with record expenditures of $350 billion, a complete reversal r President Ford, who has been noted for his fiscal conservatism. Neverless, his experts expect to take five years to get unemployment down low as 5·5 per cent of the labour force; even so, the price indices would ll be showing an annual increase of around 4 per cent in 1980. As usual, e compromise pleases hardly anyone: while trying to set out a responsk course down the middle of the road, President Ford has alienated his d conservative friends as well as the liberals in both congressional rties and his nationwide support has plummeted, according to the blic opinion surveys.

The President's proposals for only a gradual recovery mean that in the umn of 1976, election time, unemployment would still, according to

official estimates, be 7·7 per cent of the labour force and inflation would be running at an annual rate of 7·8 per cent. If so, Mr Ford's chances of re-election are considered to be minimal; once more a Republican Administration would be associated with economic disaster. Moreover, the tax reductions which he has requested are considered by many experts, not all of them his political opponents, to be inadequate, given the present size of the American economy, to achieve even the restrained turn-around at which he aims. And to keep the budgetary deficit within the bounds that he has set, he wants to cut back spending on a number of social programmes just when they are most needed, while increasing spending on defence. Admittedly, he is taking steps to help the unemployed; admittedly, defence spending has been held down severely in recent years. But this is not a scheme that appeals to a Democratic House of Representatives, full of freshmen Congressmen, elected last November in an anti-Republican swing, who will have to face the voters again in 1976, or to a Democratic Senate, full of contenders for their party's presidential nomination in 1976, a year when that nomination looks like being worth having.

The result has been an immediate head-on clash between Congress and the new President, whose great asset was supposed to be his legislative experience and his co-operative relationship with Capitol Hill. The first skirmish was the rejection, by large majorities in both houses, of Mr Ford's request for a reduction in the cost to the government of food subsidies for the poor in the form of food stamps. Congress is now in the process of adding to the tax reductions that the President requested and concentrating their benefits on lower-income groups. Most controversial is his energy programme, the only request for a major new departure that he has made to Congress. The purpose is to reduce dependence on imports of oil and the first step was to increase the tariff on petroleum over the heads of Congress. Such defiance could not go unchallenged, especially when the higher prices for petrol and heating oil which would result from this and from the President's other proposals would add to inflationary pressures.

Social policy and energy are two of the fields in which Senator Henry Jackson, that hard-working Democrat from the State of Washington, has long specialized. Mr Jackson is naturally making the most of this opportunity to keep himself in the public eye and to demonstrate how much more effective than Mr Ford he would be in the White House. He is now the leading candidate for the Democratic presidential nomination (although far from certain to be chosen), largely because he started his campaign seriously before anyone else. A liberal at home, he has been known as a hawk abroad. But last year he managed to turn what might be a handicap into at least a temporary advantage. His contention that the United States was making too many concessions to the Soviet Union

gained credence from the widespread suspicion that first President Nixon and later President Ford were seeking foreign triumphs in order to strengthen their domestic standing. Then Senator Jackson forced into the Administration's trade bill conditions which made concessions to the Soviet Union dependent on a relaxation of her emigration policy. The Administration needed the bill to enable it to bargain over reductions in trade barriers at the coming round of negotiations under the General Agreement on Tariffs and Trade. The long fight over this bill brought Mr Jackson much publicity and registered him as a friend of the Jewish community (one reason why his presidential campaign is not short of money so far). That the Russians, not surprisingly, resented this attempt to dictate their internal policies, and withdrew from the arrangements made with President Nixon to encourage more trade between the two countries, has not done Mr Jackson much harm since there is little enthusiasm among ordinary Americans for closer contact with the USSR.

This is, of course, an example of that congressional interference in the conduct of foreign affairs which Dr Kissinger, the Secretary of State, finds so hampering. Another is the ban on military aid to Turkey because of that country's invasion of Cyprus. But in these respects, as in the much publicised enquiries into the Central Intelligence Agency and the Federal Bureau of Investigation, Congress is inspired as much by a belated recognition that it has been neglecting its responsibilities as by a desire to embarrass the Administration. The trauma of Watergate not only proved to Congress that it could be an effective check on the White House but also demonstrated that it had not exercised its duty of holding the President accountable for his actions. This had been shown even more by the long escalation of the war in Vietnam with little congressional sanction. Mr Ford's recent request for funds to increase once again the American contribution to that war will not make Congress any more amenable.

The determination of Congress to resume its proper share of power would contribute to more efficient government if the legislature was under stronger leadership. But neither Senator Mansfield nor Representative Albert, the leaders of the Democratic majorities in the two houses, are ready to assert themselves, while in both houses the rank and file is composed of young members who are vying with each other to improve the legislative process, at a risk of disrupting it, temporarily at least. Improvement is certainly needed and the changes made this year, particularly in the direction of obtaining more progressive chairmen for the all-powerful committees and of circumscribing their powers, should be improvements in the long run. But new machinery takes time to settle down.

On the executive side, there is a President who is liked but not yet feared, who lacks the prestige that should go with the office—and after Mr Nixon it will be a long time before any President is trusted completely.

Mr Ford is bringing esteemed and tough people into his Cabinet and has now got rid of nearly all the Nixon left-overs. He is giving responsibility for co-ordinating domestic affairs to his experienced Vice-President, Mr Nelson Rockefeller. All this ought to foster confidence in the Administration. On the other hand, Dr Kissinger's activities abroad are no longer being accepted without question; his aura is fading. In the final analysis the effective government that foreigners as well as Americans want to see in the United States depends on authority, and this is something that both the executive and legislative branches lack at present.

NANCY BALFOUR

KEEPING THE CAP ON

THE interim price package agreed by the EEC Council of Agriculture Ministers last September included a commitment to take price decisions for 1975/76 by 1 February 1975. The Commission submitted its proposals in November, but at the end of its meeting of 13/14 January, the Council had been unable to reach agreement. The new Chairman, Mr Mark Clinton of Ireland, thought it would be impossible to do so before the end of the month; interim steps were therefore taken to preserve the status quo and he embarked on a series of meetings with individual ministers to see if there was enough common ground for a decision to be reached on 10/11 February. As so often, the meeting had to be prolonged and ministers finally emerged just after 8 o'clock on the morning of 13 February. They had reached an agreement (ad referendum in the case of Denmark, which was in the midst of a change of government), but were unable to give any immediate assessment of its implications. When the Praesidium of COPA met the next morning, delegates could, in consequence, not offer more than a very general reaction to the Council determinations and Commissioner Lardinois, who saw them in the afternoon, was in no better position—there were too many complicated technical details to be worked out. In addition, the results of the United Kingdom price review were not due to be announced until the afternoon of Monday, 17 February. However, even before the officials had sorted all out and before the views of the new Danish Government and the United Kingdom determinations were known, it was possible to indicate a few features which may have a bearing on how the CAP develops during the next few months.

The fact that an agreement was reached at all may have had more to do with the overall political situation, including the willingness of the other eight members to compromise in order to help the United Kingdom remain in the Community, than with purely agricultural policy, but the situation in agriculture was such that decisions were essential and no further time could be lost. Many farmers had had a disastrous ye[ar]

Even in Germany, where costs had risen least, net farm income was well down in 1974 compared with 1973. In the United Kingdom, where cost increases had been astronomical, the position was much worse. Other decisions, notably the agreements with the ACP countries, had been taken and had a bearing on agriculture within the Community. One cannot have sugar deals with third countries and no agreed sugar price for European producers; the interaction of external agreements and internal policy will continue to be a sensitive issue with EEC farmers and growers, not just for sugar but for livestock products and the whole range of 'Mediterranean' crops as well.

The agreement maintained the basic principle of common prices. The Commission's initial proposal was for increases averaging 9 per cent. The European Parliament and the Economic and Social Committee came out in favour of a bigger increase and COPA pressed for 15 per cent. Mr Lardinois estimated that the final determinations averaged about 10·2 per cent. Last June, the UK had argued in favour of differential prices in certain circumstances and the Commission had acknowledged that, because of the divergence between the trend in cost increases 'in countries with appreciated currencies and that in countries with depreciated currencies', the application of common price increases 'could prove excessive in certain countries and inadequate in others'.[1] This meant the monetary compensatory amounts (MCAs) should be adjusted. In the event neither the Commission's own proposals nor Mr Clinton's attempt at a compromise early in the meeting proved acceptable, but the Council did finally agree on certain modest reductions in the MCAs in addition to the price increases.

The use of MCAs will no doubt continue until there is some progress in harmonizing currencies. The British Government also hopes that the new beef arrangements will have a long life. In November 1974, faced with the collapse of the United Kingdom beef market, the Government had belatedly sought a way of assuring beef producers' returns. It had remained resolutely against intervention, because of the implications for consumer prices, and had hoped not to be rushed into any temporary arrangements pending the introduction of a new beef regime planned for February 1975.

But the crisis was too great and the issue had to be faced. The outcome was a compromise. The British had to agree to intervention on a rising scale as the price for being able to pay variable 'topping up' premia. These particular premia will now be phased out by the end of April, but the essential elements of the new regime to be introduced in the United Kingdom for the period 1 May 1975–1 March 1976 are the same: inter-

[1] Commission proposal to the Council on the fixing of prices for certain agricultural products and connected measures, Doc. COM (74) 2001 final, 27 November 1974.

vention plus variable premia, the latter being in two parts, 28 units of account per head paid by FEOGA and up to 52 payable by the national government. This arrangement preserves the Community element (intervention) as well as winning some Community funds for the premia; it also allows an additional national aid if required. The principle of allowing national aids to suit particular circumstances has been strengthened by the extension to France of similar premia for the maintenance of the breeding herd and a form of calf subsidy for Italy. Although the Commission has not yet produced its list of legitimate national aids, the possibility of such aids being allowed to continue hardly seems in danger of being revoked. But there could be some tidying up, and both governments and farm organizations have expressed concern at the risk of the Common Market being further undermined by national measures.

Another of the United Kingdom Government's renegotiation points, reasonable access for supplies from third countries, has been at least partly conceded already. At the November 1974 meeting, the Council agreed to an increase in the price of New Zealand butter and cheese imported under protocol 18 with effect from 1 January 1975. The negotiations with the ACP countries have ensured access over a number of years for sugar and, to a more limited extent, for beef. Now the Community is to have a fresh look at the beef import ban and the Commission is known to be toying with a system under which a quantity of beef exported without restitutions could be matched by a comparable quantity imported without levy. Where the decisions taken on 13 February appear not to have met the British negotiating stance is in reducing the cost of the CAP: instead, fears have been expressed that the cost this year will be higher.

Results of the Council of Ministers' meeting, then, suggest that the Community is able to take common decisions on a CAP; that there will continue to be a common basis, supplemented by national aids; that there will be access for overseas supplies; that progress on monetary reform remains necessary before there can be a truly Common Market, and that there is no sign of the policy becoming cheaper. This last point is underlined by the agreement to have another look, on 3/4 March, at the rate of FEOGA grant to be paid under the Less Favoured Areas Directive. Mr Lardinois also hopes to produce a package of measures by the end of March which will include aid to young farmers and various items affecting hops, glasshouse crops, and olive oil. The Commission is also well on the way to completing its 'stocktaking' of the CAP. A draft document may be submitted to the Council in March for serious discussion in April or May. Inflation, referenda, and other pestilences permitting, the next three months might just provide what Mr Lardinois says he wants—a period for serious thinking.

TREVOR PARFITT

International financial markets and the recycling of petrodollars

OTMAR EMMINGER

This is the revised text of an address by the Deputy Governor of the Deutsche Bundesbank, given at The Royal Institute of International Affairs in London on 28 January, on the occasion of a Chatham House conference convened to examine the new pressures on the international capital market and its relationship with the central banks.

Two months ago, a British financial magazine wrote: 'The Euromarkets have been broadly written off as a mechanism for recycling petrodollars.' And yet: financial markets are continuing to do a major job in the field of recycling, although on a diminishing scale. If we define financial markets in a broader sense, i.e. including also national money and capital markets, they were instrumental in recycling an estimated $40 billion[1] in 1974, or nearly three-quarters of the total Opec surplus funds of $55 billion or so. Even if we take international financial markets in a narrower sense, namely only the short- and medium-term Euro-currency markets, their estimated share in the recycling process was about $20 billion or nearly two-fifths for the whole of 1974, and in recent months, when their role declined somewhat, they still handled between 1 and 1·5 billion dollars per month, or about one-fifth to one quarter of the total.

I am far from subscribing to the euphoric view that recycling the petrodollars could be safely left to the financial markets. This is clearly impossible and would, in some respects, not even be desirable. Before discussing the problems and limits of these markets in the recycling process, let me first make some general remarks on the role of recycling itself in world payments.

I

The problems of recycling are partly *over-* and partly *under-*estimated in public debate.

(1) The amounts involved and the obduracy of the problem have often been somewhat exaggerated. In 1974, the investable surplus of the Opec countries was of an order of magnitude of about $55 billion. It may already have reached its peak in the last quarter of 1974 or may reach it in the first months of the current year. Over the year 1975 as a whole,

[1] Billion = a thousand millions

although their gross oil income will be considerably higher than in 197[illegible] the net investable surplus of the Opec countries is likely already t[illegible] decline somewhat, namely to about $50 billion or slightly less. If oi[illegible] prices are not significantly hoisted further, and assuming a reasonable energy-saving policy on the part of oil-consuming countries, the surplus may gradually diminish thereafter, until by 1980 or so a global equilibrium on current account between the oil producers and the consuming countries may be attainable.

This is just another way of saying that 'recycling' in real terms, i.e. through increased imports of goods and services into the Opec countries is progressing by leaps and bounds. The absorptive capacity of several oil countries seems to be higher than initially assumed, and billions of petrodollars are also finding their way to countries politically or otherwise attached to oil-producing countries as well as into normal foreign aid, and are thus quickly converted into orders for civilian and military goods. In 1975, as much as about one half of the gross oil income of the Opec countries is likely to be 'recycled' by real transfers of additional goods and services, not even counting the large advance payments on future deliveries of goods that are sometimes being made by oil-producing countries.

(ii) Such a global picture underestimates, however, the adjustment problems arising out of the high oil prices. These problems are aggravated by the sharp discrepancies between individual countries on both sides. Thus, the financing of the oil-induced payments deficits is made much more difficult by the severe disequilibria existing also among the industrial countries. The need for payments adjustment by individual countries has sometimes been played down by the device of distinguishing between the so-called 'oil deficit' and the 'non-oil deficit' of oil-importing countries. The 'oil deficit', i.e. that component of the payments deficit which is due to the sudden oil price increases, is assumed to be 'unavoidable' because of the low absorptive capacity of a number of Opec countries. In the view of many, it has, at least for a transitional period, to be 'accepted' and somehow financed. In a global sense this is true, but it is a questionable concept when applied to each individual country; and the 'transitional period' may be running out sooner than this school of thought likes to assume. But as long as the concepts of 'oil deficit' and 'non-oil deficit' are still applied to balance-of-payments policy, let us at least beware of crude misconceptions in the way they are calculated. The 'unavoidable oil deficit' in this sense is only the *net* increase in costs due to the price increases, minus the normal share of the country concerned in the increased absorption of goods by the Opec countries. To give an example: in the UK the gross oil import bill for both 1974 and 19[illegible] may be more than $8 billion a year; but in accordance with the IMF definition the 'unavoidable oil deficit' would be considerably le[illegible]

than $5 billion; the 'non-oil deficit' would be correspondingly larger.

(iii) There is another aspect where the oil-related financial problems are often underestimated. Besides the current problem of financing the oil-induced surpluses and deficits, we also have the problem of the growing mountain of foreign assets in the hands of the Opec countries and of foreign indebtedness of the oil-importing countries. This is not necessarily a problem of today and tomorrow, but may create enormous problems over time. Even on optimistic assumptions concerning the real transfers to the Opec countries, they may have accumulated foreign assets by 1980 of somewhere between 200 and 300 billion dollars (in constant 1974 dollars). And Saudi Arabia alone may by that time have accumulated $100 billion or more. These are staggering amounts. It is between two and three times the total value of all stocks listed on the British, French, and German stock exchanges together. It compares with an estimated total of US direct investments abroad of about $110 billion, and with net US foreign assets of a little over $60 billion, as at the end of 1973. But in the case of the United States, these foreign assets were accumulated over decades, and their mainspring was, at least as concerns direct investment, not a pressing need to invest a foreign-exchange surplus, but an urge on the part of large American corporations to apply their advanced technological and managerial know-how in other countries and to safeguard and expand markets abroad.

It is not easy to visualize a world economy where such extraordinarily large foreign assets will be piling up within a few years simply out of unspent oil surplus funds. Where, and in what forms, will they find their ultimate home? The problem is exacerbated by the likelihood that the accumulated foreign assets will to a large extent be concentrated in the hands of a few sparsely populated desert kingdoms, and that on the deficit side, too, an unduly large proportion of the debt burden seems to be piling up in a handful of debtor countries. In 1974, of the total current account deficit of the OECD area of about $38 billion, nearly $30 billion was concentrated in four countries. While on the surplus side this is the natural and inevitable consequence of very unequal absorptive capacities, on the debtors' side this imbalance is the consequence of man-made policies (as the burden of the oil price explosion does not fall one-sidedly on some countries only—indeed, in absolute terms, the direct burden has been larger on the German than on the British or Italian balance of payments).

II

As concerns the foreign claims accumulating in the hands of the Opec countries, it is very unlikely that they will match, in their regional distribution, the financing needs of the deficit countries. Out of this probable discrepancy arises one of the major problems of recycling, namely: who

is going to step in as intermediary, and how is the resultant risk of intermediation, as concerns both liquidity and solvency, to be borne?

Let me add two other major problems:

—How can one avoid too large a part of the petrodollars being invested in highly volatile liquid assets, with the risk of occasional massive movements from one currency to another—maybe for quite good reasons, but still with enormous disruptive effects on exchange rates and the international monetary system?

—How can one assure that the surplus funds of the Opec countries will be channelled into productive investment and will not just be borrowed for the purpose of financing excessive levels of public or private consumption?

III

There is a school of thought among economists asserting that the place and form of the investment of oil surpluses does not matter greatly. After all, the petrodollars cannot be buried in the deserts, they will perforce come back to the oil-importing countries as a group. So the only problem seems to be that the petrodollars will have to be rechannelled from the location of their initial investment to the place (and in the form) where they are needed, e.g. through a generalized reshuffling arrangement among the industrialized countries, be it via the IMF or otherwise. However, this simplistic view overlooks a few important elements of such generalized reshuffling. *First*, no amount of secondary reshuffling, especially if it were done by the central banks or through government institutions, will undo the primary effects of the dollar inflows on a surplus country; they will push up its exchange rate (as we have seen recently in Switzerland) or inflate its domestic money supply (if the recipient country intervenes in order to prevent exorbitant exchange rate movements). *Second*, the risks of maturity transformation and the solvency risks imposed upon the primary recipient of petrodollars may be unacceptable. Just consider the case where a surplus country like Germany would see its major industrial corporations gradually sold out to the oil countries and would have to reshuffle the resultant foreign exchange proceeds into (more or less frozen) medium- and long-term loans to weaker countries. *Third*, a perfect reshuffling scheme of this kind would, of course, largely remove the pressures on extreme deficit countries for better adjustment policies (and may also lessen pressures on the oil countries). Financial recycling, if made too easy, may not only prolong the global disequilibrium between oil-producing and oil-consuming countries but also perpetuate the equally disruptive disequilibria among the industrial countries.

While bearing all this in mind, I would, however, not deny that in the present dangerous situation of the world economy a case can be made out

for a reshuffling scheme among industrial countries of the type presently being discussed under the name of the Kissinger plan or OECD plan, namely as a 'safety net' against a breakdown of our system, as a 'last resort facility' after all other available measures have been exhausted, and provided with all suitable safeguards as concerns adequate energy and payments policies. But such an emergency plan for reshuffling reserves among industrial countries has not very much to do with the problems I have been discussing, namely how best to deal with the petrodollars themselves.

The decision on how to invest their surplus funds rests, of course, with the oil countries themselves. But one can offer them suitable incentives and mechanisms in order better to reconcile their financial interests with the borrowing needs of the oil-importing countries. This does not make our financial system more dependent on them but less so, as it would protect our system against volatile and irrational movements of oil funds. We have a clear interest in making the investment of surplus oil funds a co-operative undertaking of both oil producers and the main consuming countries.

IV

Let me briefly enumerate the various forms of investment available to the oil countries. They have a wide choice:

- short- and medium-term investment in the Euromarkets;
- investment in national money and capital markets (from bank deposits to government bonds and similar market instruments);
- direct government-to-government loans;
- medium-term lending to corporations (direct or through banks);
- direct investment in stocks, real estate, and other property;
- medium-term lending on market-related terms through international institutions (IMF, EEC, etc.); and
- financial assistance to LDCs, either bilaterally or through regional or international institutions.

I think it is absolutely natural --and it was in fact expected by all the experts that in the beginning they invested their newly accruing wealth largely in very liquid assets, just as any private individual would do when he begins building up a fortune. So they put an estimated \$20 to \$21 billion of their 1974 total of about \$55 billion into the anonymous Eurocurrency market, and a nearly equal amount into national financial markets (including investments in public sector bonds), mainly in the two largest and most sophisticated markets, i.e. those in the United States and in Britain.

One must not forget that some of the Opec countries have already placed, or are about to place, massive orders for goods and plant, or they are entering into other commitments, which will absorb a large part of

their anticipated foreign-exchange earnings over the next few years. It natural that they want to keep the corresponding funds in a rather liqui short- or medium-term form.

The problem of how best to invest very large sums on longer term wi arise only for a small group of oil countries—e.g. Saudi Arabia, Kuwait the Gulf Emirates, and perhaps to some extent Iran and Venezuela. But in these cases it may well become a headache for both the lenders and the recipients of the funds.

V

How have the Euro-currency markets fared as a recycling mechanism I think they have up to now responded reasonably well to the challenge posed both by the large investment needs for petrodollars and the vastly increased borrowing needs of oil-importing countries. At the same time their natural limitations have begun to show up.

I mentioned already that in 1974 the Euromarkets absorbed an estimated 20 to 21 billion petrodollars.

They made even larger amounts available to borrowers; the publicl announced medium-term Eurobank or roll-over loans—not all of them actually drawn on yet—amounted to no less than $28 billion, or $1: billion more than in 1973. Thus, the Euromarkets were able to draw no only on petrodollars but also on other funds, e.g. from American bank in the first few months of the year, and also from deposit creation through the familiar circular process of redepositing.

On the other hand, the total volume of the Eurocurrency markets has not expanded in an abnormal way. According to estimates of the Bank for International Settlements (BIS) in Basle, their gross volume increased b $32 billion in the twelve-month period from September 1973 to September 1974, while in the preceding twelve-month period it had increased by $43 billion. It seems that the temporary Eurobanking difficulties of last summer, partly connected with some banking failure partly due to other causes, held the overall growth of the markets in check (mainly in bank-to-bank transactions).

But now we see that other, and perhaps more permanent, limitations the Euro-currency markets are beginning to make themselves felt. The ability of banks to accept huge deposits out of proportion to their capital resources and their willingness to assume increasing risks involved in maturity transformation are bound to be limited. So is their willingness to take on excessive risks in relation to less credit-worthy borrowers.

Could, and should, these limitations be overcome by stretching the rules for banking, or—as has often been advocated—by underpinning the international financial markets through special action by governments and central banks? I believe there are also limits to such action. Last September, the central banks of the BIS group reached an understanding

mutual information and controls, and also on their role as lenders of last resort in cases of sudden liquidity strains in the international markets. It must, however, be understood that this does not imply any softening of banking rules. Nor does it mean that the central banks are prepared to underwrite the consequences of mismanagement and ensuing insolvency. Thus, the natural limitations of the Euromarkets as a mechanism for 'recycling'—risks of maturity transformation, insufficient capital ratios, borrowers' solvency—remain. We would be unwise to ignore the rules of prudent banking.

It therefore appears likely that in future the growth of short- and medium-term Eurobanking will be restrained and its role in the recycling process rather limited. It is conceivable that this will coincide with a reduced need for its services. Oil countries, after having built up a large cushion of liquidity against their future commitments, may now be ready to invest more in other forms. The present downward movement of interest rates in the Euromarkets will provide an additional incentive for such a development.

VI

As concerns other recycling mechanisms, we can classify them as to their desirability as follows:

(i) One of the most useful forms of recycling, both from the lenders' and recipients' point of view, is quite certainly advance payments on future deliveries of goods, as well as any other form of direct loans between oil producers and consuming countries. This form of recycling should be given top marks.

(ii) Another very desirable way is the recycling of medium-term oil funds through the Special Oil Facility of the International Monetary Fund at market-related interest rates. For the lenders there are two major advantages: complete safety, also in a political sense, and reasonable liquidity, as the Fund provides a mobilization clause for the event of a balance-of-payments need of the lender. For the international community there is the great advantage that these funds are firmly tied down, and that the risk of intermediation is borne by all members of the Fund, and in particular by the 'strong' or surplus countries (to which most oil countries belong as the major surplus countries in the Fund). Thus it is not easy to understand why at the recent ministerial IMF Meeting in Washington the American delegation wanted to put such narrow limits, namely $6 billion, on such a useful mechanism.

(iii) A similar form of recycling is the EEC Community loan scheme. Here, too, the risk of intermediation is assumed by a group of countries, much smaller, however, than in the case of the IMF Oil Facility.

(iv) Investment of petrodollars in national money and capital markets is excellent if the recipient country happens to need the oil funds to cover

its payments deficit. If a recipient country receives petrodollars which does not need for balance-of-payments purposes, then the problems involuntary reshuffling which I already mentioned will arise.

(v) Direct investment, unless it takes place in deficit countries, m raise even more problems than portfolio investment. I need only refer the recent attempt by an Opec country to take over the Mercedes-Be Corporation in Germany.

(vi) On the other hand it is understandable that those oil countries th have to expect a long period of unspendable surpluses want to have rather wide choice of investment possibilities, including direct inve ments. It will not be easy to reconcile this desire with the present balanc of-payments structure of the world, nor with other legitimate interests the recipients.

I believe, therefore, that a German proposal made already last summ but rather coolly received at first, will in the end become quite topic namely to establish an Investment Agency controlled by the oil-produ ing countries together with the main industrial countries, with both t control and the risks being jointly shared. This Agency could steer t investment of surplus petrodollars not only into bonds and other capi market instruments, but could also act as an investment fund wh would buy industrial holdings for oil producers. It might also lead to c operative ventures in the Third World, combining the financial streng of oil countries with the technological know-how of industrial countri for the benefit of developing countries.

Similar ideas have been taken up by a group of economic experts international repute, including the well-known American banker Rob Roosa, in the January 1975 issue of *Foreign Affairs*. It may well be th such a proposal for the co-operative investment of petrodollars will fi its way on to the Agenda of the high-level Producer-Consumer Confe ence that is scheduled for the middle of this year.

VII

Let me summarize:

In a technical sense the recycling of the petrodollars has function quite well up to now. The financial markets, as the main intermediari have largely succeeded in matching the investment desires of the countries with the borrowing needs of the deficit countries.

With the increasing volume of recycling, however, problems hav cropped up which point to a relatively reduced role of the banking syste as a recycling mechanism in the future. This is an inevitable developme which cannot, and should not, be held up by any deviation from the rul of prudent banking.

Governments and international institutions have to step in, partic larly in order to assume the risks of the ultimate borrower's credi

worthiness, but also in order to attract petrodollars in less volatile forms.

The increasing volume both of unspent petrodollars and of payments deficits of oil-importing countries is bound to bring the problems of longer-term investing and deficit financing into sharper focus. These problems are accentuated by the fact that there is a one-sided concentration of enormous surpluses and deficits on a few countries on either side.

As concerns the investment problems, they can in the long run be adequately solved only by a co-operative effort—via a common Investment Agency or so—on the part of oil producers and the main industrial countries.

As concerns the deficit countries, the time is approaching where not only the 'non-oil deficits' but also the so-called 'oil-deficits' will have to be covered to an increasing extent by real transfers of goods and services.

Visible progress towards better payments adjustment is also one of the main preconditions for securing continued financing of the residual payments deficits, as has been rightly emphasized by the OECD and other international organizations.

Let me, in conclusion, quote a sentence out of the *Economic Outlook* of the OECD of last December: 'Recycling can tide countries over a difficult interim period but cannot be a substitute for the adjustment of some of the more extreme imbalances on current account without which some countries will be accumulating foreign debt at an unsustainable rate.'

So we are thrown back upon the 'old-time religion' also in the international field, i.e. that there is no substitute for old-fashioned balance-of-payments adjustment if we want to keep our international economic and monetary system going.

The oil-financing conundrum

FRED HIRSCH

A DISTINCT shift in perspective became noticeable early this year in the views taken by key ministers, officials, and bankers of what may be called in shorthand the oil-financing problem. This is the problem of how the forced escalation in the price of oil by the Organisation of Petroleum Exporting Countries (OPEC) is to be accommodated by the economies of the rest of the world, and most immediately by the financial system on which the first impact falls. This shift does not imply that there is a common view of the problem among those most concerned, the responsible officials in the main industrial countries, and bankers and oil men

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in the private sector; there remain considerable differences of approac and of strategy, in part representing differing interests.

Divergence of these interests may well in the end frustrate commo action, and the much greater degree of cohesion among the core of th oil-exporting countries than among the main consuming countries ma prevail. The positive achievement of the afflicted consuming countrie thus far is limited mainly to an unusual degree of intellectual cohesion—unusual, that is, for an issue in international policy-making—on th content of the problem. This partly reflects the size of the problem an the intensity of discussions within official and private groups and in th influential hybrid meetings at various levels. This article describes perceived shift in perspectives, and suggests that this may be misguided In brief, the range of views taken of the oil-financing problem has recentl become somewhat more optimistic and more nuancé. I suggest that th problem remains larger and less equivocal than this shift of emphasis suggests.

Recent reappraisal

Four main elements can be seen in the recent shift of views about the oil-financing problem. First, the financing problem has been given a finite term. In 1974, the OPEC countries increased their imports a good deal faster than had been expected, by as much as 40 per cent on one count. This has induced an upward revision in projections for import growth in the years ahead. The same projections (e.g. those by the New York bank, Morgan Guaranty, which have been widely used) put higher inflation numbers on the price of these imports of industrial goods than on the price of OPEC oil, i.e. they project a fall in the relative price of oil.

As a result, the financial surpluses of OPEC countries are now projected to fall away in the later 1970s, and to give way to net financial deficits by 1980 or somewhat before. The accumulated financial assets are then expected to be around $200–250 billion[1] in terms of 1974 prices. This compares with the much publicised estimate by the World Bank last summer of an accumulation continuing until the mid-1980s and reaching up to $500 billion (equivalent to $1,200 billion in current prices which is a dubious concept in this context).

Secondly, and following partly from the fact that the absorption of the OPEC countries' oil revenues appears rather less unmanageable, increased emphasis has been placed on the large imbalances that have developed between the oil-consuming countries. Germany in 1974 was back as a problem surplus country with a current surplus of $9 billion despite an increase in net oil expenditures of $6·25 billion; Japan is swinging rapidly back into net surplus; on the other side, Britain and Italy in 197 each had current deficits of $8·5–9 billion, though by the second half

[1] Billion = a thousand millions.

the year Italy's trade balance was responding to the severe curbs applied both to credit and directly to imports. The inference has been widely drawn that concentration on a collective 'oil deficit' has detracted attention from the need to deal with other very large imbalances. In an address to a Chatham House conference in London in late January, Dr Otmar Emminger, deputy governor of the German central bank, suggested that balance-of-payments policy for individual countries should now be focused less on an allowance for the 'oil deficit', and more on 'old-fashioned balance-of-payments adjustment'.[1]

A third interconnected shift of emphasis has been on means of financing the oil surplus—crudely referred to as recycling, though this word may now be taken out of the official vocabulary since, like 'price', it carries a suggestion that there is something special about the financial surpluses and the pricing procedures of the oil exporters, which of course there is: since the interests of the English language happen in this case to coincide with those of diplomacy, it seems sensible instead to talk of rechannelling or refinancing. In the third quarter of 1974 there was widespread agreement that the commercial banks and other private financial institutions, through which the great bulk of the OPEC surpluses was being channelled, were close to the limits of their absorptive capacity and that new and broader official channels therefore had to be created to supplement them. A major divergence then appeared on whether this official channelling should be primary—that is tapping funds directly from the oil countries—or merely secondary, leaving the oil surpluses to fall where they might in the money and capital markets of the major developed countries, and confining new credit mechanisms to mutual commitments among these countries to deal with ensuing imbalances, in the framework of the Organisation for Economic Co-operation and Development (OECD). This latter basis was proposed by the United States under the leadership of the Secretary of State, Henry Kissinger, and the Secretary of the Treasury, William Simon. Primary rechannelling, through the intermediary of the International Monetary Fund and extension of its existing facility for oil-related deficits, was actively pressed by the British Chancellor of the Exchequer with support from other European countries as well as the oil creditor countries—their threatened exclusion under the Kissinger proposal having made them noticeably more friendly to official refinancing arrangements in which they play a direct part.

At the meeting of finance ministers in Washington in mid-January 1975,[2] agreement was reached to proceed on both fronts. But the OECD facility was left as a safety-net or last resort, so that it will be available to

[1] For text of Dr Emminger's address at the Chatham House conference, see pp. 95–103.

[2] Ostensibly and formally of the Group of Twenty and the Group of Ten, but more significantly of the Five—the United States, Germany, Japan, France, and Britain—which have now established themselves as the operative inner group.

countries only after they have gone through all available credit tran in the IMF; and the size of the special, and less conditional, IMF fac was limited to $6 billion, compared with the first target of $30 bil proposed by Britain's Chancellor of the Exchequer, Mr Healey. pressure for a major effort on refinancing was somewhat reduced by downward revisions in the size of the projected future oil surpluses, the increasing worries about the size of the non-oil imbalances for whi credit financing is a more dubious palliative, and by the revival in t amounts channelled through the private banking system, following t hiatus associated with a number of bank failures in the third quarter, 1974.

The fourth element in the feeling that the oil surpluses might prov more manageable than first expected has been the size of the commit ments undertaken by the OPEC countries under the general heading 'aid'. These commitments amounted on one official rough count to $1 billion in 1974. There is no question that these and similar figures great overstate the prospective annual flow of disbursements, which in 197 may have been more like $2·5–3 billion, excluding placements with the World Bank and the IMF. It is also recognized that large portions of the aid have been committed to Egypt and Syria for military purposes, and that a high proportion of the remaining aid has been on relatively 'hard' terms.

With all this said, the commitments undertaken by the oil-exporting countries for credits and grants to other less developed countries have been much larger, and have come forth much sooner, than almost any Western observers expected. Low-interest credits for the purchase of oil have been committed not only to Moslem countries but also to India. One commonly voiced reaction among Western officials and businessmen has been that industrial countries should now seize the opportunity provided by this display of responsibility by the oil countries to offer partnerships and joint ventures with them for projects in the Third World.

Necessary qualifications

Each of these four points can themselves be qualified, or given a differ ent perspective, in a way that does not sustain the general feeling greater optimism that the recent reappraisal has engendered.

Balance by 1980. Perspectives on the size and duration of the OPEC surpluses have been distorted by the technically sophisticated, but un realistic, projections of the World Bank and others made in 1974—unreal istic because they fall into the category of extrapolations and projections which reach magnitudes that would obviously themselves produce counter-reaction in the form of negative feedback. Even two successive years of external surpluses of over $50 billion among a small group non-industrial countries, and the prospect of cumulative surpluses co

ng for five years or more, remains far out of scale from anything the national financial system has been faced with hitherto. It compares xample with the then easily record deficit of $30 billion incurred in by the United States, on the swollen reserve transactions balance, with aggregate world imbalances (sum of overall surpluses) normally below this. The accumulation of 'only' $250 billion of financial ts by OPEC countries in the late 1970s would still give them assets er cent larger than the reserves currently held by all other countries; of this up to $100 billion might be held by Saudi Arabia alone. These ain staggering amounts; and it is still unclear, as Dr Emminger has nowledged, how they can be handled without disruption.

The natural economic solution, as is generally agreed, is to direct the rplus oil funds into the capital markets. This would square the circle th for the OPEC countries and for the consuming countries. It would lp to generate additional investment to provide the future resources ith which the developed countries would complete the real transfer of sources at the time when the OPEC countries were ready to exchange heir claims for goods. The size of the OPEC claim is modest when compared with aggregates such as the total value of financial securities in all developed countries, or their total fixed assets; and investment of the whole OPEC surplus would still leave the percentage of foreign ownership well below that traditionally prevailing in capital-importing countries. All this is incontrovertible. But there is an additional aspect.

Extensive foreign investment has always involved strains and resentments at the psychological and political levels. Economic logic has been ufficiently strong to overcome these strains. But this past experience is rawn from a context in which the investing countries—in the sense of ountries that were making large net foreign investments had dominant ilitary and technological resources. There is no doubting that the association of political with financial and economic dominance fostered conitions in which foreign investments were more secure and more profitble than if they had been exposed to the full force of political hostility in e recipient countries. Foreign investors, whether British bondholders f the nineteenth century or American multinational corporations, had ome assurance that they could ultimately collect. What is new in modern xperience is the divergence of the distribution of financial strength from e other dimensions of global strength. The continuing dominance of the rge industrial powers in military strength and technology makes them luctant to accept incursions into the control they have traditionally ercised both over their own economy and collectively over the global onomy; this latter aspect is taken up at the end of this article. In ounterpart, the limited dimensions of the strength of the oil states make em understandably hesitant to tie up large portions of their funds in ays that elude their control.

Economic impulsions are still likely to push the oil money in th directions, and there is much to be said for stimulation through insti tional innovations, e.g. special investment trusts.[4] The point made her that the barriers to a full investment flow consist of more than unfamili ity and lack of institutions. The dichotomy that has developed in main dimensions of global power has changed a fundamental charact istic of the international economy, in the political understructure economic transactions and relationships. It is a connexion that has alw been played down by liberal analysts, partly in defence against the exc sive claims of Marxists. No one knows how important this new dichoto will be in impeding the smooth functioning of the world economy; l it is this factor, rather than the size of the transfer problem itself, tha the novel intrusion.

The non-oil imbalances. The problem here is that the very large i balances that have emerged ex-oil, and particularly between indust countries, make the general payments problem worse rather than mer different. 'Old-fashioned' balance-of-payments disequilibrium has deed been superimposed on the new disequilibrium represented by oil surpluses. Countries such as Britain and Italy have run into defi so large as to demand that their policies be directed wholly at reduc these deficits. The oil component, however calculated, is increasingly historical interest, and the increase in oil costs of an individual coun has rightly been given reduced weight as a criterion for access to IMF's 1975 Oil Facility. But the excess deficits cannot be eliminated less the surplus countries accommodate the necessary improvements, merely to the extent of eliminating their surpluses, but to the additio extent of incurring their 'share' of the collective oil deficit. In this sen indeed, the size of the intra-industrial imbalance increases rather th decreases the need for *individual* balance-of-payments policy to related to the *collective* oil deficit. This probably requires in practic strong collective effort to hammer out the allocation of target curr deficits among the major countries in the forum of the OECD. This w at one stage seen as a priority for the Washington ministers' meeting has been neglected.

In 1964, Britain incurred a current deficit equivalent to 1·25 per ce of Gross National Product, a magnitude then generally regarded dangerously large. In 1974, all OECD countries together incurred current deficit of about 1·25 per cent of GNP. Britain's deficit was th some 5 per cent of GNP, and in six other developed countries the defi

[4] Originally suggested by Ian Little and Robert Mabro in the *Financial T* of 27 December 1973, and in more elaborated form by a high-powered int national group of economists and investment bankers in the January 1975 issue *Foreign Affairs*. See also Hollis B. Chenery, *The Restructuring of the Wo Economy*, in the same issue for a succinct analysis of the relevant magnitudes in historical context.

was proportionately larger still—Spain, Italy, Finland, Norway, New Zealand, and Ireland. Brazil, previously one of the most attractive magnets for foreign capital, found her capacity to borrow strained by a massive increase in her import costs. It is therefore by no means Britain alone who is under severe external pressure to give priority to curbing demand. However justified and necessary this action is for these countries individually (though Norway is in a special position because of her large investment in her own North Sea oil), it can be justified globally only in conjunction with deliberate measures by surplus countries outside OPEC to get themselves not merely back to balance, but fairly deep into deficit. There is no sign of such action, and a corresponding dangerous inconsistency remains in world economic policies.

This is one facet of the unresolved problem posed by the massive surplus of the oil countries. In effect, the countries which were in good competitive shape or quickly got themselves there—Germany, Japan, perhaps France—have escaped what would otherwise have been their share of the collective deficit. Virtue rewarded, perhaps; it remains true that the reward, however earned, is paid by the less successful countries and is simply not available to all countries together. More precisely: the import capacity of the OPEC countries is not likely to be expanded significantly by development of larger or more competitive supply capacity by Britain, necessary as that is for Britain herself, and for better payments balance between the non-oil countries.

The problem with private financing. It is unquestionably true that a remarkable amount and proportion of the surplus of the oil countries has been rechannelled via the banks and other private financial institutions to deficit countries, including large amounts to Britain and to well placed developing countries. Is this a sign, as one hears it suggested by those temperamentally inclined to rely exclusively or primarily on market solutions, that those not so inclined have characteristically under-estimated the market's potential contribution? The matter is more complicated, because of the underlying support and supplementation the market has always needed in providing financial services. No Chicago economist to my knowledge has suggested the privatization of central banks and regulatory banking authorities. These supportive and regulatory institutions are needed, inter alia, because the profit motive on its own provides an incentive to over-banking to a degree that puts depositors at risk and thereby imposes instability on the economy at large.

Internationally, equivalent tendencies exist for active extension of credit while the going is good—that is as long as the borrower has not yet reached full capacity for debt servicing. The subsequent reappraisal is likely to be sudden and general, so that it suddenly comes to be said that Italy or Britain are no longer credit-worthy. Fears that the borrowing country may not cope without devaluation will tend to induce financial

withdrawals, adding to the pressures. At this stage, therefore, a financial crunch can be avoided only if official balance-of-payments assistance is available, and seen to be available, in sufficient magnitude to cope not only with the deficit contemporaneously incurred, but perhaps also with refinancing an earlier deficit represented by market funds being withdrawn. The operative distinction here is between funds invested on market principles of optimum portfolio management, whether these funds are held privately or by official agencies such as those handling the surplus oil revenues, and, on the other hand, funds made available through official channels directed to balance-of-payments financing, i.e. compensatory official borrowing.

A cycle of the kind mentioned above — of a deficit being financed in its early stages from market sources and subsequently having to be refinanced by compensatory official borrowing—has frequently been experienced by Britain in the post-war years, e.g. in 1960–1, and in 1964, and also by Italy in 1963–4. For developing countries, an additional component in the cycle is typically debt rescheduling. The fact that the monetary authorities are no longer committed to upholding fixed exchange rates now provides some cushion against market withdrawals, as these tend to drive down the floating rate and thereby make further withdrawals more costly. But if a mass of sensitive money is waiting to move out, small downward movements in the exchange rate can have perverse effects by encouraging expectations of further depreciation, so that unless the authorities are prepared to see the rate move vertically down, which would exacerbate domestic cost inflation, they may have no alternative to seeking official balance-of-payments credits, even in a floating rate regime.

In brief, private short-term capital flows have in the past shown themselves a highly effective equilibrating device in the early stages of a deficit but a severe disequilibrating device in the later stages of large and sustained deficit. There is little reason to expect different for the present deficits of generally unprecedented size and duration. Long-term private capital flows have no general tendency to equilibrate a balance of payments already out of equilibrium. Thus, if a surplus develops or persists because productivity grows rapidly in relation to earnings and the exchange rate appreciates with a lag, the resulting high profits in export industries will attract foreign capital as well as domestic capital, and the prospective appreciation will draw in further foreign capital for the exchange profit.

More pointedly: it would be surprising if long-term investment portfolios of the large oil funds had higher targets for sterling than for Mark investments. If Germany removed all barriers to such inward investments, the Mark would appreciate further, to a point at which exports suffered a sufficient check to remove the prospect of above-average

profitability and thereby also of further appreciation; the ensuing unemployment in export industries could then be expected to push the German authorities into further domestic reflation. Thus equilibrium could in principle be restored by allowing market forces free rein, but the German authorities are not prepared to see either the extent of foreign ownership of industry or the size of the export sector be determined by the play of market influences from abroad. The Germans are far from alone in this attitude, though they are slow to acknowledge that in their particular situation of surplus this resistance to market flows removes an equilibrating device in world payments for which some substitute has to be found.

Aid and influence. There is a long tradition in the Western world of talking about aid in the context of doing good for others and providing aid where it enhances one's own perceived interests and influence. This tradition has not been neglected in Western responses to the aid effort mounted by OPEC countries. The scale of the aggregate effort is welcomed. It is observed that an undesirable proportion is directed to military purposes and to friends and allies. Finally, constructive suggestions are made on how to maximize the development-effectiveness of OPEC aid, and it is urged that Western know-how and institutions must be prepared to offer full partnership.

These reactions represent commendable objectives, which their deeply committed sponsors in the West have been trying on their own governments for a generation, with little success. Can they expect greater response from OPEC? Differently put: is it not to be expected that the oil-rich countries should make use of financial power in the traditional way, by extending their own influence and interests? The limited scope for alternative immediate deployment of their funds is itself likely to strengthen this tendency. The execution of aid programmes of the oil states will no doubt continue for some time to rely on technical services provided by industrial countries, and specific projects are being arranged on a partnership basis. But it will be surprising if the countries which provide the money are not those which call the tune.

A constructive proposal by Iran may be a significant portent. This is for a new international fund that would use the staff services of the World Bank but would be controlled by a new governing body giving equal representation to three groups– the OPEC countries, the industrial countries, and the non-oil developing countries. The funds would be put up equally by the first two groups. Thus the industrial countries would put up one half of the money, and could find themselves outvoted by an alliance of the newly rich and the traditional poor.

Conclusions

For the reasons set out above, I remain unconvinced that the recent revisions in projections and perspectives concerning the financial impact

of the escalation in the oil price will support some of the reassuring inferences that are being drawn from them. To recapitulate in summary: the 'optimistic' revisions are partly on the distant projections that were and remain little more than guesses, covering outcomes in which the influences presently apparent are likely to play a minor part. The re-emergence of major balance-of-payments disequilibria between industrial countries makes it more urgent rather than less for the collective aspect of the oil deficit to be translated into properly reconciled balance-of-payments targets for individual countries; this reconciliation would bring home that, for the average developed country, a current balance, and not only a current surplus, is as inconsistent with the collective payments situation as an excess deficit. The large role played by private financial channels in financing the first year of major oil surplus makes the contingent availability of official refinancing more necessary rather than less, on a notably larger scale than what is now in place. The large commitments undertaken by the oil exporters to provide credits, loans, and grants to other developing countries are far from being directed towards optimum development per dollar, and are rather to be regarded as a part of foreign policy and long-term extension of economic and political influence, much as was the case for Western aid in its bilateral heyday.

This line of thought suggests that the Americans are right to go on worrying away about the height of the oil price being paid to OPEC countries (as distinct from the domestic producer price in the consuming countries which could, in principle, be separated by the variable levies or tariffs that are beginning to be mooted). The financial consequences flowing from maintenance of the current price, even in nominal terms remain too large for the Western economies to absorb in any foreseeable way that seems both attainable and satisfactory; which is to say that, while the world economy may well muddle through, it is uncomfortable to be relying on it. The fact remains that there is no direct and sure way to get the oil price down.

A decisive case therefore emerges for drawing the oil exporters in to the refinancing. It is only in this way that the international credit circuit can again be closed. It would indeed be extraordinary if the emergence of imbalances several times larger in real terms than those experienced in the past could be handled within what had for practical purposes become a partial, and in effect regional, circuit—which is how any circuit excluding the OPEC countries should probably now be regarded in financial terms. It is true that as long as the OPEC funds continue to land up in the money markets of the developed countries, the full circuit can be run through them: that is the intellectual bedrock of the Kissinger–Simon scheme. But this strategy requires an extraordinary cohesion among consumer countries which have interests that differ in important aspects. It requires Germany to be indifferent about incurring liabilities to the oil countries

and using the cash as balance-of-payments assistance to Britain. These complications are missed in the global approach favoured by Henry Kissinger. They are missed also in the approach favoured by William Simon and his Under-Secretary at the Treasury, Jack Bennett, of dealing with problems in the international economy essentially as extensions of problems faced by business corporations—in this case, how to break a rival cartel. Both approaches neglect the national preoccupations of the various oil-consuming countries.

There may therefore be a flaw in the strategy as a whole. Absence of an adequate official refinancing facility in which the OPEC countries are directly involved may produce not the tight cohesive block that Kissinger intends, capable of bargaining down the OPEC oil price; rather, absence of such a facility may make countries with partially differing interests more exposed to pressure from the oil states, including direct financial pressure of withdrawal of funds.

Yet, for the international refinancing facility to be attained in sufficient magnitude another step is probably necessary, which has suffered from the inattention common to awkward issues. This is to increase the weight of the OPEC countries in the decision-making international bodies. The proposed doubling of oil countries' quotas in the IMF is not likely to satisfy them in this respect any more than the continental European countries were satisfied by suggestions for similar quota action in the early 1960s when they found their own financial strength unmatched by their voice in the direction of the IMF. The solution then found was to set up the Group of Ten, formally to manage the General Arrangements to Borrow, and in practice to become the steering committee of the IMF as a whole. The creditors made their voice heard, as they usually do.

But the Group of Ten, and the Five no less, have now become almost as unrepresentative of the creditors as the American–British dominance of the IMF was in the early 1960s. Resistance to opening the club to the new members is likely to be strong. But the alternative may be for the oil countries simply to by-pass the club and draw on support from the other developing countries. The potential links are obvious, ranging from the new aid connexions to feelings of solidarity against the established powers. That OPEC has added to the problems of the truly poor countries appears to be seen by them as less relevant than the fact that it is now able to do something about those problems, as well as having turned the tables on the old masters. A drain of fifty billion dollars a year for two years running with more to come is bound to weaken the dominance of the big industrial powers over global financial and economic decisions. Failure to face that fact may simply hasten the process.

Norway's EEC referendum: lessons and implications

JOHAN JØRGEN HOLST

The referendum polarized conflicts of interests and outlook in an unprecedented manner, but the dissensions engendered by it could have been far greater if it had taken place in circumstances of social turmoil and economic depression.

IN September 1972 the Norwegian electorate surprised the world by turning down membership in the European Community on terms negotiated by a Labour government which recommended it be approved by the voters. In form the referendum was advisory. In reality it was decisive. 53·5 per cent of those voting voted against the Government, which subsequently resigned and was succeeded by a minority centrist government representing parts of the victorious coalition.

There is, in fact, no place for referenda in the structure of the Norwegian political system, which is based on representative democracy. Nevertheless, the 1972 referendum was the fifth in the history of the modern Norwegian kingdom. There were two referenda in 1905, on the dissolution of the union with Sweden and on the choice between monarchy and republic. In 1919 a referendum introduced prohibition, and in 1926 another abolished it.

Ever since the issue of membership in the European Community emerged in Norwegian politics in the early 1960s it was evident that it would be very difficult to process a decision through the regular channels. Several political parties were split down the middle and the referendum became a mechanism for circumventing the inability of the political parties to handle the issue within the structure of the representative system. As it turned out, the referendum did not produce a way out of the dilemmas of party decision-making; it probably accentuated and accelerated latent tensions and cleavages contained by the established political order. But it is still a little early to pronounce on the permanence and scope of the volatility and fragmentation of the political system in the wake of the referendum.

Norway has been a relatively stable democracy in the period after the Second World War. Economic, sociological, and cultural differences

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have been contained and balanced within a multi-party system. The referendum on EEC membership narrowed the voting alternatives to two.[1] It is likely that the dichotomic choice increased the cross-pressure on the voter, caught in the middle of conflicting pressure and advice from the local environment and his traditional political party. The conformity pressures were presumably particularly strong in the small communities on the periphery, which voted overwhelmingly 'No'. The bewilderment of the voter was compounded by the novel constellations which emerged around the issue at hand. The core of the opposition to membership in the Community was made up of an alliance between radicals in the cities and farmers and fishermen on the periphery. The two traditional antagonists in the political market-place, the Conservatives and the Labour Party, joined hands in recommending membership. The same was true of the union leadership and the employers' association. In spite of the fact that the opinion polls showed a substantial lead for the anti-marketeers all through the campaign, many observers refused to believe that the formidable alliance of the Establishment could be beaten.

I shall not deal here with the tactical issues involved, or focus attention on whether different strategies and tactics could have produced another result. Personally, I am convinced that the Government could have won. But it is quite possible that a marginal victory for the Government would have generated widespread feelings of frustration, estrangement, and anger, given the fact of the referendum itself. The strains on community feeling and social cohesion could have become rather severe. For the referendum had the effect of polarizing and accentuating conflicts of interest and value judgments in the Norwegian polity in an unprecedented manner.

Latent conflicts accentuated

The outcome of the referendum reflects a clear difference of view between the urban and rural areas of Norway, between centre and periphery. Thus, in the urban areas 56·2 per cent of those who went to the polls cast their votes in favour of Norwegian entry, while only 38 per cent did so in the rural communities. In municipalities on the periphery the 'Yes' votes were only 27·2 per cent while they were 54·6 per cent in those of the central areas. Only 28·2 per cent of the votes cast in north Norway were in favour of entry. The opposition to membership was particularly strong in the fishing communities. And it is now clear that a great many fishermen changed party allegiance in the wake of the EEC

[1] The Norwegian electorate was asked to vote 'Yes' or 'No' to the following question. 'Should Norway become a member of the European Communities?' The results were counted and made public in each electoral precinct. The total result for the whole country determined the outcome.

campaign, moving predominantly from the Labour Party to the left-wing Socialists.

The EEC referendum accentuated and brought into the open conflicts along the centre-periphery and urban-rural axes which have long traditions in Norwegian politics, although they had not been particularly dominant in recent elections prior to the referendum. It seems reasonable to surmise that the referendum campaign focused and stimulated a nascent populist ideology which contributed to an ideological bridge between urban intellectuals and those whose economic interests are tied to the primary trades. Anti-growth sentiments and environmentalist concerns provided other inputs into the composite ideology of the anti-marketeers. Left-wing Socialist sloganeering was deliberately muted except by the small group of Marxist-Leninists to the left of the Communist Party. The broad coalition that was formed against Norwegian membership in the Community had the impact of legitimizing the Communist Party and providing the grounds for an unprecedented coalition of the forces to the left of the Labour Party.

The results of the referendum indicate clearly that divisions were greatest along the centre-periphery, urban-rural, and left-right axes, the last being the most ambiguous. 65 per cent of the Labour Party voters voted in favour of entry. In this connexion it is important to note that conflicts along the centre-periphery axis had been declining in prominence in Norwegian national elections since the turn of the century, and that the urban-rural conflict did not play a large role in the 1965 and 1969 national elections. It seems clear therefore that the EEC issue mobilized conflicts in the Norwegian polity along axes which otherwise might not have been as salient. This mobilization is likely to affect the stability of the Norwegian party system in the years ahead.

Three cultural cleavages have been of importance to the functioning of the Norwegian political system, the conflicts over language, temperance, and non-conformist lay religion. Survey data suggest that the countercultures in Norwegian society tended to mobilize opposition to the EEC. The value outlooks sustaining the countercultures are easily mobilized against foreign influence. The countercultural base is concentrated in the southern and western regions of the country. However, the strongest 'No' vote came from the northern and central regions, an indication that the territorial and urban-rural divisions were decisive.

The referendum campaign produced a higher level of political activity than in recent general elections in Norway. It is interesting to note, however, that age and education seem to have been the major factors determining propensity for involvement, with the young age group being more likely than the older ones to play an active part. In national elections, membership of political parties and organizations have been more important factors in determining participation. In the EEC refer-

endum, education was perhaps the most decisive factor. Hence, it is possible that referenda in representative democracies tend to produce more elitist participation than regular elections.

In spite of the higher level of participation in the referendum campaign, the absolute turnout was rather low by Norwegian standards: 79·2 per cent, a decline by almost five per cent from the preceding national elections. It is interesting to note here that the turnout was closely related to the vote distribution in the local community. In peripheral areas with strong consensus, the turnout was unusually high while it was lower than usual in the central areas where opinion was more strongly divided. Thus, cross-pressure situations seem to have immobilized some voters, particularly older ones who are less prone than young voters to change their party allegiance. In the 1973 national elections the turnout was only marginally higher than in the referendum, 80·2 per cent, which may indicate a general disaffection as well as a reduced ability of the party system to reflect the basic divisions in the Norwegian polity.

The inability of the party system to process the decision concerning Norway's possible membership in the European Community contributed to giving the referendum campaign the particular characteristic of being dominated by huge ad hoc organizations of supporters and opponents. Thus, institutional mechanisms and avenues of access were created for those whose views and urge to participate could not be satisfied through the party system. A common denominator and framework was created also for ad hoc coalitions among political groupings which, in relation to traditional cleavages in Norwegian society, had found little common ground. The ad hoc organizations provided alternative avenues to prominence—a route for circumvention of the traditional breeding grounds of the political parties.[2] It is still too early to tell how participation and leadership in the ad hoc organizations will affect recruitment to political leadership on the local level within the structure of the party system. On the national level, the impact has been very slim so far, except for the left-wing Socialist coalition.

Another characteristic of the referendum campaign was the emphasis given to the views expressed by prominent leaders from various walks of Norwegian life. The elite focus became a vehicle for grassroot mobilization. However, the high exposure of political leaders tended to magnify the prestige blows to those who lost. A crisis of authority arose, particularly in the Labour Party. The EEC constituted an issue on which the

[2] Parliament appropriated 1·25 m. Kroner to each of the two ad hoc organizations. The political parties received 5 m. Kroner from public funds for the campaign and the Government's information programme another 5 m. Kroner. The ... Government series of information booklets could be ordered free of charge. The press was predominantly in favour of Norway's joining, but this was compensated by organized letter-writing to the newspaper discussion pages. The two ... movements published their own newspapers and the volume of pamphlet-type publications reached an all-time high during the campaign.

views of the established political elites and the majority which wa mobilized in the campaign varied greatly. There was a strong majorit in Parliament in favour of entry. In the event of no referendum, pressure could probably have been brought to bear which would have produced the requisite three-quarter majority in favour of entry.

A survey of popular opinion indicates that 57 per cent of the electorat agree that the EEC issue should have been decided by referendum. A could be expected, that view is particularly dominant among those wh voted 'No'. However, only 30 per cent of the respondents were in favo of more frequent general resort to referendum. It is interesting to no also that 51 per cent of those who were members of political partie thought that the issue should have been decided by Parliament rathe than by referendum. We can only speculate that some voters viewed th referendum as an abdication of responsibility by those elected to mak political decisions. It was a view I personally encountered quite ofte during the campaign.

Effects on the political system

The referendum is unlikely to become a more frequent mechanism o last appeal than in the past in Norway. The 1972 referendum ma however, have left some lasting imprint on the political system. The en of Labour Party dominance of Norwegian politics was accelerated if no caused solely by the EEC struggles. The victory of the 'No' coalitio also speeded up the fragmentation of the party system on the left, th right, and the centre. It destroyed the oldest political party, the Liber Party, which was split down the middle into two small parties with combined strength of 3 representatives elected to the 1973–7 Parliamen a loss of 10 seats. The Labour Party lost 12 seats. Part of the 'No' fr within the Labour Party split off and formed an electoral alliance w the Communists and left-wing Socialists. That alliance was the ma victor in the 1973 elections, gaining 16 seats. The other victors were t Christian People's party, with a gain of 6, and the right-wing Poujad party of Anders Lange, which gained 4 seats. The three victorious parti thus produced a record gain in post-war Norwegian electoral history

These shifts reflected very clearly a new volatility in the previo stable Norwegian electorate. The left-wing Socialists had their ma gains in the fisheries districts and the industrial areas on the periphe The split-off on the right also seemed to reflect some tension over EEC issue. While the Conservatives voted overwhelmingly in favour entry, 55 per cent of the voters of Anders Lange's party were ag Norwegian membership in the European Community. The Norwe electorate had shown signs of being on the move for a number of yea Opinion polls indicated an increased propensity in this direction as EEC issue came to dominate the agenda. Survey analyses suggest

3 per cent of the voters changed political parties between the 1969 and 973 national elections. The corresponding figure for changes between ie 1965 and 1969 elections was 18 per cent. The young voters are par-cularly volatile, and about two-thirds of the voters below the age of 25 oted against Norwegian membership in the EEC in 1972.

The ad hoc extra-parliamentary organization may become a rather equent phenomenon in Norwegian politics, due to the successful obilization in 1972. Thus we have seen recently how those opposed to liberalization of the Norwegian abortion laws have created another 'eople's Movement' with the obvious objective of emulating the suc-essful organization of the EEC campaign. Such organizations could ffect the representative functions of the political parties as well as the e facto authority of the established political institutions. A greater lement of uncertainty and unpredictability could be introduced into e political process. The practice of the EEC campaign in getting ople from the local communities and specific professions to sign resolu-ons, and printing all the names in full-page advertisements in the papers, nstituted a means of 'capturing' the voters, reducing the impact of the litical parties, and enhancing the pressure from the local environment.

Equally important could be internal constraints reflecting fears among e political elite of reviving the anti-EEC coalition. That fear is pre-mably accentuated by the obvious discrepancy between the established ite positions and majority positions mobilized during the EEC cam-ign. Such fears could become particularly worrying in a situation of vere economic and social crisis, when decisive leadership would be quired.

The opponents of Norwegian membership in the European Com-unity managed to mobilize their majority coalition by a heavy emphasis national symbols, sovereignty, and 'self-determination'. The pro-nents were not successful in identifying a few salient symbols and guments, being caught up in a defensive argument about a multiplicity technical issues. The high involvement of academics on both sides ntributed to this fragmentation in the presentation of the cause of the o-marketeers. They were also too late in launching their campaign and ked the co-ordination and zeal found in the opposite camp.

Foreign-policy issues did not figure prominently in the campaign. We y surmise that the opponents were particularly careful to avoid a set issues which could have split their coalition along traditional lines. e proponents were reticent about playing up the foreign-policy issues il the very last phase of the campaign, presumably for fear of pushing re anti-marketeers into a neutralist posture.

In the present circumstances in Norway, there is little doubt that the C campaign continues to exert a significant influence on Norwegian ision-making on foreign affairs. It is clear that fears of a revival of the

anti-EEC coalition contributed to the Norwegian decision to seek special association agreement with, rather than full membership in, the International Energy Agency in OECD. The executive of the 'People's Movement against EEC' is still in existence and has recently criticized the Norwegian association agreement with IEA. There remains the spectre of another campaign being launched. The fight for the votes of the fishermen, particularly in north Norway, constrains the freedom of manœuvre of the Norwegian Government in relation to an extension of the fishing limits. And the general slogan about national self-determination seems bound to structure public debate and decision-making in regard to Norwegian policy on off-shore resources like oil, gas, and fish. The ideology and rhetoric of the periphery and its urban radical allies constitute a novel and significant feature of the political situation in Norway. A new struggle may be emerging about the process and substance in Norway's relations with traditional allies. Foreign policy will in that event be decided by the outcome of a struggle between advocates of interdependence and co-operation and those who want to go it alone.

The EEC referendum amounted to a major earthquake in a traditionally stable representative democracy. The political system in Norway has managed, in spite of obvious strains and fragmentation pressures, to absorb the impact of the quake. Fortunately, the post-referendum period was characterized by an economic boom. The bitterness and dissension engendered by the referendum could presumably have caused greater fragmentation if it had taken place against a background of social turmoil and economic depression. The parliamentary system remains, in spite of the referendum undoubtedly having given cohesion and focus to a general vote of protest against the Establishment and the industrial order of modern Norwegian society.

Détente in Southern Africa

JOHN BARRATT

THAT the Lisbon coup of 25 April 1974 would lead to dramatic changes in Southern Africa was almost immediately obvious. That the changes would take the direction they have in the ten months since the coup was, however, not expected by many observers— especially those outside Africa. Their expectations were based on scenarios of the future of Southern Africa, which were constructed during the past decade and which were generally based on seldom-challenged assumptions about

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· instance, the commitment of South Africa to continued White rule in ıodesia, Mozambique, and Angola; the inevitability of violent con-ıntation with the remaining White regimes once Frelimo was victorious Mozambique (a version of the domino theory); and the inability of the uth African system to adapt at all. Such assumptions may not yet have en proved entirely wrong, but at least they are now being seriously allenged by events in Southern Africa.

Not enough is yet known about the course of events during the past ı months, or about all the factors involved, for one to be able to analyse ısfactorily the changes now taking place, least of all to predict ac-ratelv the likely outcome even in the relatively short term. But clearly general thrust in the region at present is towards détente and mean-ıful negotiations about the real political differences which exist. It is rth looking at the factors in the new situation which have brought ut this unexpected new mood, as well as at the main actors in this folding drama and some of the motivating forces and constraints erating on them.

Despite growing evidence that fundamental changes were coming in ıtugal and in her relations with her African territories, the dramatic nts of 25 April 1974 were unexpected, and the speed of change since en could not have been foreseen. In particular, the victory of Frelimo ı Mozambique (which was secured by the agreement it reached with e Portuguese Government in Lusaka last September) has had a trau-ıatic effect throughout the Southern African region. While there had en a guerrilla war going on in parts of the territory for a decade, and hile the penetration of Frelimo further south had been watched with owing concern from South Africa and Rhodesia during recent years, e sudden collapse of Portuguese resistance had a shock effect. This was ue also in Zambia where, although there was active support for Frelimo, e sudden victory was unexpected and there was no time to prepare for e consequences of a hand-over of full power to Frelimo in Mozambique. oreover, Frelimo itself was unprepared for the sudden ending of the med struggle and for the assumption of the responsibilities of govern-ent.

The shock of the change in Mozambique brought all concerned face face with the likely consequences of violent confrontation into which whole region might be pushed by the momentum of events, given conflicting policies of the various countries. In particular, the issue Rhodesia, in which South Africa, Zambia, and Frelimo were all already olved in one way or another, was the one which could now lead rapidly what seemed the inevitable confrontation, unless quick action was en to change direction.

This sudden realisation on all sides of what the consequences of violent nfrontation would be for all the peoples of Southern Africa underlies

the re-assessments which are taking place in the region, a[...] efforts are now being made to find and exercise those optio[ns which] could lead to a peaceful resolution of differences through m[utual] accommodations, and even concessions, in the long-term inter[ests of the] parties concerned. That success in these efforts can be achiev[ed is not] yet by any means clear. But, as the South African Prime Mi[nister has] indicated, the consequences of failure are 'too ghastly to [contem]plate'.[1]

Against this background one can look more closely at the [...] factors affecting the re-assessments of policies in the various [...] concerned, in relation to the changed situation in Mozambiqu[e, begin]ning with the leading actors in the drama, South Africa and Za[...]

South Africa's reaction

Mozambique under Portuguese rule was widely regarded i[n South] Africa as a buffer against hostile incursions. But, at the same ti[me, the] situation there, with the seemingly endless struggle against Black [nation]alism and with South Africa unavoidably linked with the de[...] colonial power, was increasingly seen as an obstacle to the imple[menta]tion of the Government's declared policy towards Africa, whi[ch had] evolved since the second half of the sixties and which was known [as the] Outward Movement. While there was no suggestion of pressu[re on] Portugal to withdraw, there was clearly a growing hope that some[how] the Portuguese would be able to come to terms with the demand[s of] Black nationalism, even if this meant evolution to a Black governm[ent in] an autonomous or independent Mozambique, which hopefully would [be] willing to co-operate on a practical level with South Africa (as do [the] three small Black independent neighbours of South Africa). Poli[tical] agreement, it was argued, was not necessary, provided it was underst[ood] there would be no interference in each other's internal affairs.

When the situation unexpectedly and dramatically changed, and w[hen] Frelimo was recognized as the successor to the Portuguese, the So[uth] African Government quickly decided to make it absolutely clear tha[t it] would do nothing to oppose the transfer of power, and that it would [in] fact go out of its way to seek co-operation with the new revolution[ary] Government. This policy was reflected in several official statements [and] in the controlled reaction to the attempted rising against the Frelim[o-] dominated transitional Government in Lourenco Marques in Septem[ber.] Not only did South Africa resist any temptation there might have be[en] to intervene, but she took steps to discourage the flow of refugees [and] firmly stopped any attempts to organize opposition to Frelimo within [her] borders or to recruit mercenaries for possible use in Mozambique.

[1] See Mr Vorster's prepared statement of 8 December 1974, commenting [on] an apparent breakdown in Rhodesian negotiations in Lusaka.

this considered and positive South African response to t Mozambique apparently surprised and impressed outsi was, in fact, fully in line with the Government's consistent olicy of non-intervention in internal affairs of other stat ng of course the only sensible and practical policy.

th African statements and actions were well received by t ue transitional Government and the Frelimo leaders. The recognition on their part of the importance of mutually ben omic links between the two countries, including the use of t urenco Marques for a substantial proportion of South Afric d imports, the export of labour from Mozambique to t the actual and potential trade between the two countries, t ssa hydro-electric project, and tourism. The recognition tance of these links to Mozambique was dramatically illustrat rly announcement that there would be no attempt to stop t ower from Cabora Bassa to South Africa, even though previousl ct had been a major target of Frelimo and had been criticize ample of Portuguese/South African co-operation for the e n of the people of Mozambique.

or concern on South Africa's part, however, has been the dange bility in Mozambique and the serious consequences of any dis *tion due to inability of Frelimo to control effectively the economi litical development of the country. Apart from the economic links d to above, which are of considerable importance to South Africa, is the vital security aspect. Frelimo has indicated that it does not d to make its territory available for incursions by guerrillas into Africa, but this requires that the Frelimo Government should be to exercise its authority effectively. Otherwise, groups linked to h African liberation movements might try to take advantage of the* ble situation to penetrate South African borders. There is little ihood that this would pose any serious security threat to South Africa, n the strength of the South African security forces and the unsuitable in on which guerrillas would have to operate. But, nevertheless, any nt incidents at all between Black nationalist movements and South can security forces on South African soil would have, no doubt, a serious political effect on South Africa internally and internationally. ich a situation the demands within South Africa for some form of vention, for instance strikes at guerrilla bases, would be likely to , and the Government might be faced with a very difficult choice.

om both an economic and a security point of view, therefore, it is in interests of the South African Government that there should be le development and effective government in Mozambique. It has no rest in promoting instability there, as some observers have apparently iced from the political and ideological differences with Frelimo. As

early as May 1974, Mr Vorster, when asked to comment on the I of a Black government in Mozambique, maintained that South was not worried about 'the colour of the people concerned', and not interfere in the internal affairs of her neighbour. 'We are only ested in stable government', he said.[8]

Zambia's attitude

The shock effect of the change in Mozambique was felt also in Zamb Although Dr Kaunda had worked for the ending of Portuguese rule Mozambique, he was suddenly faced in 1974 with the prospect of b coming involved, together with Mozambique, in a direct confronta with the remaining bastions of White rule. He must have realized tha confrontation with South Africa in particular would be very different kind from anything else which had happened in Southern Africa, a might engulf the whole of the region in uncontrollable violence. Apa from Dr Kaunda's personal antipathy to violence, there is the lik effect on the development of Zambia, already threatened by econom problems, including the drastic fall in the price of copper.[9] It was, the fore, in Zambia's interests to avoid confrontation.

At the same time President Kaunda was now in a position to use advantage gained from the change in Mozambique to negotiate from position of greater strategic and political strength, especially in regard Rhodesia. If such negotiations could lead to the avoidance of confron tion and to a settlement in Rhodesia, they might also bring about opp tunities for influence towards change in South Africa herself thro peaceful means. (It is assumed that Dr Kaunda's opposition to So Africa's internal policies remains as strong as ever.) If a détente co proceed along these lines, then Dr Kaunda could envisage practical operation with South Africa for the economic benefit of Zambia, w would come not only through continued and increased trade, but p sibly also from financial and technical assistance.

It is in Zambia's interests, even more than in South Africa's, that danger of instability in Mozambique should be avoided. It is essen for her copper exports that she should be able to use Mozambique p as it is through Mozambique that land-locked Zambia has the sho routes to the coast. Until the closing of the Rhodesian border by Smith's Government in January 1973 the railway through Rhodes the Mozambique port of Beira had been carrying considerable Zamb traffic, including much of her copper exports. The closing of that r

[8] *Rand Daily Mail* (Johannesburg), 30 May 1974. Also dealt with Vorster's Senate 'crossroads' speech of 23 October 1974.

[9] According to the Zambian Finance Minister's statement in his Budget sp in late January 1975, the expected revenue from copper for the current yea be only half that of 1974. (Copper accounts for over 90 per cent of Zam exports.)

btedly had serious negative economic effects for Zambia, who had itch more of her exports onto the rail route to the Angolan port of to and the road route to Dar es Salaam in Tanzania. But these routes nuch longer than those to the Mozambique coast, and there are lems with both ports. *The completion of the Tanzam railway by the* nese in 1975 will not provide the whole answer. The excellent port of ala in Mozambique is now being used, via road and railway routes ough Malawi, and plans are being made to link the Zambian rail tem with that of Malawi, which is already linked to Nacala. Signifitly, some of this work, at least in Malawi, will be done with South ican financial assistance.

t seems clear, therefore, that there is now a coincidence of interests ween Zambia and South Africa in regard to the avoidance of direct frontation in Southern Africa and, in particular, in regard to the ble development of Mozambique. One can only speculate about ther possible steps of economic assistance to Zambia and to Mozamue, and there is no concrete evidence of Zambian or Frelimo intenns to seek such assistance. But the importance of development and the lingness of South Africa to give assistance were central themes in Vorster's speech in the South African Senate on 23 October. After erring to South Africa's duty 'to contribute its share towards bringing giving order, development and technical aid, as far as this is within means, to countries in Africa and particularly to those countries which closer neighbours', Mr Vorster said: 'Africa has been good to us, and are prepared, as far as our means allow us, to return to Africa a measure what we have so generously received over the years.'[4]

n view of the fact that South Africa is suffering less than many other ican countries from the effects of the oil price increases and the low es of many other commodities, and the fact that the ability of many he Western industrialized countries to provide development aid is ted by their own economic problems, it is not surprising that South ica should now be increasingly regarded as a source of aid. But it ld be a mistake for South Africans to see this as an easy way of overing political differences in Africa. The needs for development *within* th Africa are still great, and, most important, it can never be assumed economic considerations will outweigh political ones in the decisions ther African governments. It is here that the issue of Rhodesia bees especially relevant.

Rhodesian Issue

he impact of the Mozambique changes on White Rhodesian thinking not appear to have been as great as might have been expected, given desia's exposed position strategically, although the level of expecta-

nate *Debates*, No. 9, col. 3340, 23 October 1974.

tion of the Black political movements has undoubtedly been signifi raised. Rhodesian Whites, having for the past decade experienced of semi-siege and of actual violence on Rhodesian territory, while economy has continued to grow, have to a large extent become imm to the effects of external threats. There is also a dangerous tendency rely on South African strength 'come what may'—a feeling of security which the South African Government has perhaps too ca allowed to develop.

From the Mozambique side there has been no direct move aga- Rhodesia. But clearly Frelimo is not inclined towards the same sort pragmatic co-operation as with South Africa, and there is the realizat that Mozambique has much stronger cards to play against Rhodes. These include the dependence of Rhodesia on her rail and road links the ports of Beira and Lourenco Marques, and her vulnerability to cursions by guerrilla forces operating from Mozambique territory ac the long border between the two countries– which has already be happening in Rhodesia's north-east. The length of the Rhodesian bord with Mozambique is 1,100 km, compared with 500 km of border betw Mozambique and South Africa. (The border between Zambia a Rhodesia is 690 km long, and, if the insurgency threat to Rhodesia came really serious, one would have to add the border with Botswa which is 770 km in length. Rhodesia thus has a total of approxima 2,560 km of borders with states sympathetic or potentially sympath to the Zimbabwe liberation movements, while her border on the Limp river with South Africa is only approximately 200 km long.)

The re-assessment in South Africa as a result of the change in Moza bique has included the question of links with Rhodesia, and there been a realistic appraisal of the disadvantages of continued support, e of a passive nature, for the maintenance of White rule in Salisbury. T evidence for this has appeared most clearly in the Afrikaans press, w in 1974 became outspoken about the need to put South Africa's interests first.

The Government has been decidedly more cautious in its public st ments, and has denied putting 'pressure' on Mr Smith's Governm But there is no doubt now of the approach of the South African Gov ment to this question, which is simply that an accommodation mus found within Rhodesia between the Whites and Blacks, so that a gov ment acceptable to the majority in that country as well as to neighbour Black states can be established. This is not in fact a change of basic po as can be illustrated by official South African statements from the of UDI in 1965, which make it clear that the Rhodesian issue has alw

[6] In his Senate speech of 23 October 1974, Mr Vorster stated that the time arrived 'for all who have influence to bring it to bear upon all parties conce to find a solution, while denying that he was 'interfering' in Rhodesia's int affairs.

egarded as an obstacle in the way of South Africa's attempts to lize her relations with other African states. But there is now a new ess to give effect to the implications of South African policy since and to accept the consequences, including the risks for the South an Government of a change-over to a Black government in Rhodesia.

important motive for encouraging moves towards a settlement in desia has always been to reach accord with Zambia. This has been a tant aim of South African policy over the past decade, in spite of rations such as the revelation in 1971 by Mr Vorster of his private espondence with President Kaunda (an action which has not yet n satisfactorily explained). This policy aim has been based on the nomic and political importance of Zambia, but it is now also directly ted to Zambia's links with Mozambique—especially Dr Kaunda's n personal links with Frelimo leaders, and his potential influence on future development of Mozambique. The need to remove the political tacle to closer relations with Zambia, which the Rhodesian issue poses, hus given a new urgency at a time when there is a coincidence of rests between Zambia and South Africa, as indicated above. Differ-es about South Africa's own racial policies should not be minimized these still remain, but the Rhodesian issue (and South Africa's in-vement there) have seriously aggravated the situation. Mr Smith's ing of the border with Zambia in 1973 appeared to have finally con-ced Dr Kaunda that he should break his links with the South, in spite he negative economic effects. Unavoidably, trade with South Africa tinued, and the fact that Dr Kaunda's determined efforts to reduce ctively Zambia's economic interdependence with other countries of thern Africa did not succeed has had an important influence on the moves for détente.

While Rhodesia remains in the middle (politically and economically, well as physically), South Africa and Zambia cannot move effectively egotiations about economic relations and eventually about political erences. In order not to lose the present opportunity for rapproche-nt with Zambia, the South African Government has no alternative to use its influence to bring about effective and acceptable change in odesia. The lengths to which both Zambia and South Africa are pre-ed to go to achieve a settlement of the Rhodesian issue are illustrated the evidence now coming to light of the extensive preparations for otiations. Not only were there many secret diplomatic contacts, but e have been considerable efforts on Zambia's part to explain the new tion to the Zambian people and to other African governments.

While there were signs of changing attitudes on both sides not many ths after the Lisbon coup of 25 April, they came clearly into the open Mr Vorster's Senate speech of 23 October in which he said Southern ca had reached the cross-roads, where it had to choose between peace

and the escalation of strife. The consequences of the latter choi[ce were] easily foreseeable, and 'the toll of major confrontation' would [be] high for Southern Africa to pay'. Dr Kaunda responded almost in[medi]ately, on 26 October, describing Mr Vorster's policy speech as 'th[e voice] of reason for which Africa and the rest of the world have been wai[ting'.][6] Another landmark was Mr Vorster's speech in Nigel on 5 Nove[mber] 1974, when he said that many would be surprised where South A[frica] stood on the diplomatic front after six months, thus indicating that t[here] was definite movement and that the détente negotiations had wide [im]plications for the whole of Southern Africa, not only Rhodesia.

The first concrete step was the agreement reached in Lusaka in m[id-] December between the parties to the Rhodesian dispute, witnessed a[nd] backed as it were by South Africa and Zambia. While this set the sta[ge] for a constitutional conference between Mr Smith's Government a[nd] the African National Council (now including ZANU and ZAPU) as [the] main parties, this meeting has not yet taken place, due to a number [of] difficulties which have arisen on both sides. Some of these relate to [the] interpretation of the agreement reached in the Lusaka discussions, other[s] are the result of manœuvring to obtain the best negotiating position, but the most serious stem from the positions of hard-liners on both sides who see no value in negotiating and are not prepared to compromise. [It] is on them that the influence of South Africa and Zambia, respective[ly,] has to be brought to bear.

Whether or not the South African Government has used direct pre[s]sure on Mr Smith's Government, the strongest pressure Rhodesia m[ay] now be feeling is the increasing evidence that support in South Af[rica] for the status quo is not very deep, in spite of wide emotional supp[ort in] the past among South African Whites. The Rhodesian Governme[nt,] however, appears to have been slow to appreciate this fact, although [the] Afrikaans (and Government-supporting) press has been spelling [it out] more and more frankly, and some Rhodesian leaders still seem t[o feel] that they can appeal to the South African White electorate over the h[eads] of their Government and press. Their strongest card is the terr[orist] threat, and while violence continues in Rhodesia the South Afri[can] Government will be unable to move much further.[7] In particular, [its] hands are tied as far as the withdrawal of South African Police in Rhod[esia] is concerned. This is essential for substantial progress in the dét[ente]

[6] *Sunday Times* (Johannesburg), 27 October 1974. Dr Kaunda also said ['We] re-affirm our pledge to call upon the liberation movements to desist from ar[med] struggle, if Mr Smith accepts negotiations with the legitimate and auth[entic] leaders of the African peoples.' In regard to South Africa, he said that A[frican] states did not intend to wage war. 'The people of South Africa will face the [pri]mary task of shaping their own destiny.'

[7] Opening the South African Parliament on 1 February 1975, the State Pr[esi]dent referred to the implementation of the ceasefire and the ending of all vio[lence] as 'essential pre-requisites' for the resolving of basic problems in Southern Af[rica].

, but political opposition within South Africa to withdrawal, while lla activities continue, is a serious and unavoidable constraint on orster.

ere are particular difficulties regarding the implementation of the *fire in the north-east of Rhodesia, where ZANU guerrillas are . While South Africa is responsible for using what influence she with Rhodesia, Zambia must try to convince ZANU of the need to guerrilla activities. Dr Kaunda's task is complicated by differences in ZANU whose leadership includes hard-liners who do not see any ntage in ending militant action against Rhodesian forces at this e, and who wish to strengthen their position vis-à-vis the other ation movement, ZAPU. In order to influence ZANU leaders, Dr* nda needs the support of President Nyerere of Tanzania (with whom has, in any case, a close personal relationship) and of Samora Machel, leader of Frelimo and probable President of Mozambique from June 5. But Tanzania does not have as much to gain from a settlement in odesia as Zambia and Mozambique, and therefore President Nyerere, re than anyone, needs the assurance that the settlement would be such e could, in his political conscience, accept and justify before the rest Africa.

tswana and Malawi

Little has been said above of the interests and the influence of the aller independent states of the region, which would all stand to suffer m violent confrontation. Of these Botswana has been playing the st significant role: President Sir Seretse Khama has been involved m the beginning in the negotiations over a Rhodesian settlement, due the importance of his personal relationship with President Kaunda to Botswana's political and strategic position in Southern Africa. It st be emphasized here that, like Dr Kaunda, Sir Seretse Khama does consider détente as simply applying to Rhodesia, but sees this as olving change within South Africa herself in the longer term.

Malawi has a position of obvious strategic importance between Zambia Mozambique, and President Hastings Banda has for many years n an advocate of dialogue and an opponent of violence as a solution Southern Africa's problems. His influence for détente can therefore be n for granted. But, apart from his state visit to Zambia in January, it is known what precise role he may be playing in the current negotiations. oth Lesotho and Swaziland have adopted very low profiles on the stion of détente, but the latter state, lying as it does between South ca and Mozambique, would potentially be one of the first victims of serious confrontation along the South African borders. There is no bt, therefore, that the Swazi Government will lend any support that eded to the détente process.

The outlook

This article has dealt with some of the effects of the drama in Mozambique on international relations in Southern Afric particular, the immediate issue of Rhodesia. The present unce in the situation make it difficult to predict the further develop the détente process, if and when the Rhodesian issue is settled. B clear from both South African and Zambian statements that South Africa/Namibia is the next issue on the agenda, and of direct rele then will be the uncertain situation in Angola.

Looming behind all these issues on the periphery is that of S Africa herself—the ultimate issue of primary concern to the rest of Af Détente may provide the opportunity and the means for the accomm tions and further change required, and thus enable Zambia and o African states to negotiate with South Africa in terms of the Lu Manifesto which, although adopted nearly six years ago, remains basis of the approach of most Black African states. The changes Portuguese Africa have impressed on many South Africans, Black White, the urgent need for progress in the Republic (not least becaus the raised level of expectation of Blacks), and it is widely realized this will ultimately determine the success or failure of détente. instance, the South African Ambassador to the United Nations statec the Security Council on 24 October, 1974 (the day after the Pr Minister's Senate Speech): 'Discrimination based solely on the col of a man's skin cannot be defended. We shall do everything in our p to move away from discrimination based on race or colour.'[8] Chief Ga Buthelezi, the South African Black leader of KwaZulu, has said: 'T whole détente will be a grand scheme that never was, if there is no Black leaders can point to in terms of meaningful change in our Bl White situation in South Africa.'[9]

However, with all the complex issues involved in the Southern Afr détente, it is necessary to take account of President Kaunda's wo 'We are dealing with problems which have gone on for centuries. cannot expect miracles overnight.'[10]

[8] From text of statement as issued by the South African Mission to the U Nations.

[9] *Sunday Tribune* (Durban), 2 February 1975. Proposing his annual No dence motion in the House of Assembly on 3 February 1975, the Leader Opposition said: 'If we do not succeed in South Africa, we cannot succe Southern Africa.' (*Rand Daily Mail*, Johannesburg, 4 February 1975.)

[10] Statement during visit to Colombo, Sri Lanka, as quoted by South A Broadcasting Corporation on 29 January 1975.

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es of the month

ISH DEFENCE REVIEW

publication on 19 *March of the long-awaited Defence White Paper nd 5976) has confirmed the outline already given to the House of* mons by Mr Roy Mason on 3 December 1974: in introducing the n elements of the review, the Secretary of State for Defence had sed the Nato-oriented restructuring upon which he was engaged, an ntation which gave especial emphasis to the central area. While ating that 'Nato is the linchpin of British security and will remain the charge on the resources available for defence,' he went on to warn the Government would be 'discussing with our Nato allies all aspects ir contribution, including particularly our force declaration to Nato ie Mediterranean, and the specialist reinforcement forces that we mitted to the Alliance in 1968'. Setting out budgetary savings on the structure which the Labour Government had inherited, Mr Mason e of his anxiety to save £100 m. a year out of the £150 m. a year that Nato commitments cost Britain, adding 'I had then to look at the s of Nato.'

here this fresh look at commitments and capabilities has led is now er clearer. The eventual reduction by one-half of the airlift capacity ir Support Command will decrease the power of rapid reinforcement distance that Britain has retained from the very different world of the 1960s. Then she still had extensive obligations, for instance for nal security operations, and was still fighting Indonesia on her land tiers with Malaysia. Rapid reinforcement of the British Army of the ie, to which about 80,000 troops, not all of them regulars, would be ed in a full-scale emergency on the Nato central front, will, when this own is complete, almost certainly require diversion of aircraft from irlines, and may well require the creation of a reserve of pilots for this ose.

her forms of reinforcement capacity, especially relevant to the ern flank of Nato, will soon be available only on a significantly ed scale. The reduction of the land element of the Mobile Force, ntly including three air-portable brigades, to one-third of its present s of major note here. It is further planned to abandon the Joint rne Task Force, while retaining a limited parachute capability. The Marines, who provide the land-force element of the amphibious will be reduced by about one-seventh, leading to the disbandment Commando. A decision has also been taken not to replace the ng amphibious ships with purpose-built vessels.

effort in Nato Europe, which was a major trend of the ... January 1968. But to this is now added a withdrawal from some commitments to the flanks of Nato, missions for which both ... Force and the Royal Marine Commandos were equipped a...

Introducing the full statement of the proposals on 19 ... Mason emphasized that it had proved possible to meet certai... of the Military Committee of Nato to some of the chan... others. Indeed, Nato headquarters were quick to express 'spe... about 'the reduction of reinforcement capability in the n... southern regions; the removal of naval and air forces from ... ranean area; and the decline in maritime capabilities in ... Atlantic and Channel areas'. Clearly, it is the reduction of Bri... to contribute to the flanks as well as to the maritime efforts ... is the new element of this review.

These proposals may, however, prove to be inadequate ... time. Personnel and equipment costs in the defence sector a... rapidly at the present time, and not only for Britain. ... ment of interdependence projects has been seen as one ... tion to this. As has often been shown, it is not easy for ... agree on sharing research and development in advanced ... sharing production. To the rise in personnel costs there is n... answer than a fresh look at the boundary between regula... service. But for a range of powerful reasons military staffs ... that, too.

WEHRSTRUKTUR COMES FULL CIRCLE

The latest stages in the long process of internal enquiry ... making in the Federal Republic of Germany on the ... Bundeswehr bring matters back almost to their starting point ... early in Helmut Schmidt's period as Federal Minister of D... senior-level enquiry, chaired by Dr Karl Mommer, a former Vi... dent of the Bundestag, examined first the matter of fairness ... tion, and then moved on into a full survey of the personnel ... the Federal armed forces.[1]

The recommendations of this Commission, which were ... mented, were published in November 1972. Briefly, they ... continued reliance on conscription, rejected suggestions for ... forces or for some form of conscript militia similar to that of ... Switzerland, and made a specific proposal for meeting the ... obligations of the FRG to Nato. This was that 24 brigades of the Bu... wehr should be fully manned, and that either all or some portion ...

[1] See D. C. Watt, 'West Germany rethinks her defence', *The World ...* July 1970.

should be in cadre form, relying on the recall of reservist
ys of the order to mobilize to bring them to effectiveness
would have reduced the growing proportion of the defence
d to personnel costs and so protected the continued alloca-
for re-equipment of the services. As the 'country of firs
FRG has always rightly been exercised by the imbalance
orces of Nato and those of the Warsaw Pact and the quality

working group within the Federal Ministry of Defence
d early in 1973 to review the organization of the army
count the proposals of the Mommer Commission, and also
incoming weapons systems, that is, especially the prospec-
on the battlefield in the power of the tank and the anti-tank
reaching frontline units. The results of this study were an-
November 1973. While retaining conscription, the relief on
l vote was to be obtained by a system of 'Standby Readiness'
bereitschaft) by which, within individual frontline units of
bout 25,000 posts would be earmarked for the return in an
of selected ex-conscripts and short-term volunteers. These
en would for a year be liable to recall by the authority of the
ithout legislative reference, and would also be liable for recall
training.
became clear that these changes were not destined to be
the CDU/CSU Opposition. After debate in the Bundestag
er 1974, they were referred to the Defence Committee, where
doubt was expressed on various points. These included the
of reducing numbers in this way, the degree of political firm-
ould be expected in a time of crisis, and the extent to which
sals might harm the Nato negotiating position in the MBFR
in Vienna.
st months of 1974, Defence Minister Leber attempted to re-
Opposition on these proposals and, to judge by the outcome
destag debate late in January 1975, appears to have achieved
npromise. Although the Minister secured legislative authority
to later approval by the Bundesrat) for the system of Standby
ss, he gave undertakings that the posts in question would not be
anned until satisfactory progress had been made in Vienna. All
ves the basic issue of defence finance—that growing personnel
ere imperilling the needed scale of re-equipment—totally un-
d. The undermanning of units in the Field Army, which was to
roduced the economies in personnel costs, will now be postponed
me years. In consequence, the dilemma of financing a large con-
army at a time of high inflation and mounting equipment costs is
nanswered.

A. S. B.

A new political giant? West German foreign policy in the 1970s

GEBHARD SCHWEIGLER

Ostpolitik, which reflected the growth of a West German identity, has removed some of the constraints on the Federal Republic's freedom of action in world politics. She could use this to help solve the problems created by her remarkable economic strength in an age of interdependence.

If recent reports in the international press are to be believed, the world is currently witnessing the birth of a new political giant: the Federal Republic of Germany. While it used to be said that West Germany was an economic giant but a political dwarf, the international consensus now seems to be that she has turned into a political giant as well, albeit a '*Weltmacht wider Willen*', 'a reluctant world power', as the West German weekly *Der Spiegel* recently put it.

Relative size, even in politics, is a matter of perspective. For years the Federal Republic had tried to play the role of a political giant, except that nobody took her seriously, least of all the Soviet Union, the target of Adenauer's 'policy of strength'. Instead, that policy glaringly revealed West Germany's weakness, since the goal of national reunification could not be achieved. On the contrary, reunification became ever more impossible, as the erection of the Wall in Berlin was to demonstrate. But since the Federal Republic's foreign policy was oriented towards reaching the *fata morgana* of reunification, it offered many appearances of futility. The failure, indeed the negative consequences, of the Hallstein Doctrine (according to which the Federal Republic refused to have anything to do with countries recognizing the German Democratic Republic) can serve as an instructive example.

It was Chancellor Willy Brandt's Nobel-Peace-Prize-winning achievement to forego this futile exercise of strength, a course of action that forced him to renounce foreign policy goals which only a few years earlier had been pronounced irrevocable by a seemingly overwhelming national consensus. Brandt's astounding election victory of November 1972, which his election slogan: 'Germans, we can be proud of our country' had helped engineer, revealed that a new consensus had formed in the meantime, for the voting results represented a solid endorsement

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of his new *Ostpolitik*. That *Ostpolitik* was, as I have tried to show elsewhere,[1] based on the loss of an all-German national consciousness among the West German population and the concomitant growth of a strictly West German national consciousness—a development which Brandt's election slogan caught perfectly. Public opinion polls showed that a large majority of West Germans was willing to renounce all claims to territories beyond the Oder-Neisse Line and prepared to extend diplomatic recognition to the GDR, all the while fully aware that such policies would imply the permanent division of Germany. Most West Germans had, in fact, given up the goal of national reunification and begun to accept the Federal Republic as their new fatherland, as the focus of their national loyalties and aspirations.

Brandt's and the West German public's primary motive for the *Ostpolitik* lay in the desire for reconciliation with former enemies in the East. When, after the conclusion of the Treaties of Moscow and Warsaw and of the Basic Treaty, *Ostpolitik* inevitably moved from its lofty position of good intentions to the realm of low politics, a certain sense of disappointment began to set in. Domestic economic and political difficulties wore Brandt down to the point where, after the discovery of an East German spy among his close aides, he felt the time ripe to resign from office. His resignation brought Helmut Schmidt to the Chancellorship, while Walter Scheel's elevation to the Presidency pushed Hans-Dietrich Genscher into the chair of Foreign Minister. This 'odd couple'—a well-versed and indeed versatile SPD Chancellor and his inexperienced and therefore often inhibited FDP Foreign Minister—is now in charge of West Germany's foreign policy.

Modified policy goals

Helmut Schmidt, it has been observed, is the first truly *West German* Chancellor, a man with few inhibitions from the past and a pragmatic orientation for West Germany's future; in a way, it might be said that he reflects the West Germans' newly-found national consciousness. In his quite frequent pronouncements on foreign policy issues he has consistently praised Brandt's historic achievements which have increased West Germany's '*Handlungsspielraum*' in foreign affairs. It seems almost ironic that a policy of admitting weaknesses (which Brandt's *Ostpolitik* represented) should have increased West Germany's freedom of action and thus contributed to her growing reputation as a political giant. The fact remains, however, that with the conclusion of Brandt's *Ostpolitik*, that is, with the recognition of political realities in Germany and Eastern Europe, West Germany has indeed gained considerable room for political manœuvres in all areas of the world. The question the West German

[1] Gebhard Schweigler, *National Consciousness in Divided Germany* (Beverly Hills and London: SAGE Publications, 1975).

people and its leaders now have to face is exactly how to make use of that '*Handlungsspielraum*'. The simple answer to that question is: in the pursuit of West Germany's national interest. The difficulty lies in the fact that West Germany's national interest is by no means easily defined.

The official West German position on reunification is one obvious example. Because West Germany's constitution, the Basic Law, demands that the Federal Republic never cease to aim for the reunification of all of Germany—a constitutional demand the validity of which the Federal Constitutional Court reaffirmed in its generally questionable ruling on the constitutionality of the Basic Treaty—the West German Government cannot—yet—afford not to proclaim reunification as one of its most important goals.[2] Yet it seems clear from Schmidt's general position that reunification is of little importance to him, just as it has mostly disappeared from the public's range of concerns. Protestations to the contrary by the CDU notwithstanding, the reunification of Germany can no longer be considered the Federal Republic's most important foreign policy goal; securing the position of Berlin and improving relations with the GDR, however, are such goals.

Throughout the 1950s and 1960s, the overwhelming majority of West Germans held reunification to be more important than the unification of Europe; by 1973, attitudes had become reversed: according to a poll in June, only 23 per cent considered reunification to be more important than European unification (65 per cent).[3] This change in public attitudes hints at one area where the Federal Republic might now be enjoying a greater freedom of action. Unfortunately for the sake of a united Europe, West Germany's orientation towards European unity is by no means as clear-cut as it might appear at first sight. It is no secret that the West Germans' initial support for the goal of uniting Europe stemmed largely from a desire to lose the stigma of being 'bad Germans' in a display of being 'good Europeans'. With the gradual decline of the feeling that they were 'bad' Germans and with the growth of a strictly West German national consciousness, many West Germans may have turned away from, or at least become lukewarm about, the idea of a united Europe. They still share what has been termed a 'permissive consensus' but, when asked, almost no one will identify the unification of Europe as an important foreign policy goal.

Because a West German national consciousness has begun to develop the European enterprise has of necessity assumed new dimensions. Obviously, a West German national consciousness must be considered incompatible with the sense of European identity which would be required for a successful integration effort. Before, it had been hoped that

[2] 'Our foreign policy is irrevocably aimed towards securing peace, unifying Europe, and overcoming the division of Germany.' Hans-Dietrich Genscher 'Dimensionen deutscher Aussenpolitik heute', *Aussenpolitik*, 4/1974, p. 363.

[3] See EMNID *Informationen*, May/June 1973.

the West Germans, by developing a European identity first, might serve as an example for other Europeans to follow; now such expectations are no longer valid. Furthermore, because the Federal Republic can no longer be forced to make concessions vis-à-vis Europe through the threat of unfavourable actions regarding the reunification of Germany, the European balance of power would appear to have shifted somewhat. The West Germans will evaluate the costs and benefits of a united Europe much more closely, and in terms of their own national interests, than they have done so far. The freedom of action gained through *Ostpolitik* has made the Federal Republic into more of an international actor. A more active actor makes the whole enterprise that much more difficult, but through his actions he also holds out the promise for long-term success—at least this is the hope that some of the smaller European countries seem to share. Bonn's much expressed—and sometimes ill received—displeasure over some of the more outrageous aspects of the European Community, such as the Common Agricultural Policy, offers some glimpses of things to come. At the same time, the Federal Republic's eventual acquiesence in short-term compromises reveals the present uncertainty of the West German Government over how to use its '*Handlungsspielraum*'.

Economic strength and problems

The Schmidt Government is, in fact, beset by a number of paradoxical situations which have arisen in the wake of the oil-price crisis. This crisis caught the Federal Republic at a fortuitous moment, namely in the middle of an economic boom. From the beginning West Germany enjoyed a competitive advantage. Because she was able to deliver high-quality investment products at competitive prices, she could maintain and indeed increase her exports and thus help finance the quadrupled cost of energy; unencumbered by a balance-of-payments deficit, she was able to keep inflation rates low and, in general, the workers' morale high. As a consequence, the West German export industry's competitive position became ever more favourable, as a positive feedback cycle of increasing proportions set in—witness the almost exponential increase in the Federal Republic's foreign trade surplus since the onset of the international economic crisis. Today, West Germany's economic position in the world is unequalled and her status as an economic giant has been amply confirmed.

In an age of international economic interdependence, even the status of an economic giant is not without its problems, however. West Germany, whose exports amount to 23 per cent of her GNP (as compared to the United States' 4 per cent), is largely dependent on other countries' abilities to pay for them. While the Federal Republic is amassing huge trade surpluses (which are only partly due to increased purchases by oil-rich countries or East European states, although trade with these

countries has almost doubled over the past year), her traditional cu mers are facing increasingly more difficult economic conditions. T she is called upon to help out, something which she finds difficult to because of domestic considerations. The idea that West Germany m help others to help herself is not easily sold at home, where, after all, m than one million go jobless and the Government has decreed an auster programme of sorts in order to keep inflation down. The Minister Finance, Hans Apel, a prominent member of Schmidt's pragmatica profiled 'Hamburg Mafia', once let it be known that West Germa would not serve as the 'paymaster of Europe', as a 'Euro-payer'; for hi being a world power simply means 'always having to pay'. As one way o of this dilemma, the Schmidt Government has begun to pursue a poli of acting as 'blood donor' only if the 'recipient does not refuse to swallo the medicine', as Schmidt once put it; that is, a policy of tying credits to package of stringent prescriptions regarding economic policies. Th recent loan to Italy, coupled with a number of harsh conditions, c serve as a model for this policy. The only worry that the West Germa Government now has—apart from its concern over the eventual repay ment of loans—is that such massive interference in the domestic affai of other countries might create new resentments. It is a worry that is ve much on Schmidt's mind.[4]

Relations with US and USSR

The Chancellor does, of course, have other worries as well. One of the pertains to German-American relations. On the surface these relatio are better than they have ever been; in the words of Schmidt, 'today r Atlantic storms are disturbing the larger weather picture'. But: 'In ord to maintain this period of good weather we must make sure that o American friends do not overestimate our economic, financial, an political capabilities and make demands on us which we cannot fulfi' When it comes to relations with the United States, Schmidt does not 'fe like the Chancellor of a world power' (as he told *Der Spiegel* on 6 January This should be obvious, given the fact that the Federal Republic has litt if no role to play in the settlement of the major issues of today, such as the Near East or even in the Far East. At best (or at worst), she may asked to step in where the American Congress fears to tread, as, f instance, in regard to weapons deliveries to Turkey and Greece. T West German Government will have to weigh the economic and politi

[4] In a speech before an SPD foreign policy conference on 17 January 19 Schmidt stated: 'We simply cannot avoid affirming our co-responsibility for economic welfare of other countries. Some may find that difficult to do. Oth may begin to feel new desires for power. But we Germans need neither cultu inferiority complexes, nor must we commit the error of acting like a newly r show-off.' This and the following quotation are from an official transcript of speech.

advantages and disadvantages of serving as the American Executive's detour around Congress very carefully indeed.

The American Congress, as is well known, has for years come close to giving its estimation of German economic strength legislative expression. For the time being, the troop withdrawal issue lies buried in the thicket of the Vienna MBFR negotiations and the Conference on Security and Co-operation in Europe in Geneva (where the Federal Republic has played a prominent role, particularly in her insistence on provisions for easier human contacts and peaceful changes of borders). It may, however, rise again with renewed vigour if America's economic difficulties continue to increase and West Germany's economic strength looks inviting. West Germany will insist that her security is dependent on a fully unfolded American nuclear umbrella;[6] this is particularly true for the exposed position of West Berlin. It is foreseeable, however, that the precise number of American troops to be stationed in West Germany may soon be subject to negotiation. On the one hand, the *Bundeswehr* is engaged in a programme of structural reforms and new weapons acquisition which, according to the intentions of West Germany's defence planners, should make her armed forces the strongest conventional *defensive* force in Western Europe (potentially strong enough to withstand a Soviet attack). This could eventually make a substantial withdrawal of American troops seem feasible, even to 'worst case' strategic thinkers. The West German public, which, according to a recent public opinion poll, is more inclined to consider the presence of American troops an 'unavoidable necessity' (48 per cent) rather than a 'welcome protection' (30 per cent), would most likely be agreeable to an American troop reduction.

A withdrawal of American troops might also be considered as less threatening than it used to be because, on the other hand, West Germany has worked hard to defuse the situation along her Eastern frontier. Brandt's *Ostpolitik* was designed to achieve a '*Friedensordnung*' in Europe, a state of peaceful orderly relations in which military preparations would eventually become less important than political, economic, and social relations. While such a state of affairs has not yet come about, it cannot be denied that considerable progress has been made.

The SPD was recently engaged in one of those fruitless debates on whether or not Brandt's *Ostpolitik* was based excessively on illusions. Schmidt, who on other occasions had let it be known that he wanted his Cabinet to be less 'ideological' and more 'pragmatic' than his predecessor's, has made it clear, both in words and in his policies, that his *Ostpoli-*

[6] The Federal Republic, it should be pointed out, has no intention of creating her own nuclear umbrella, either in the form of nuclear weapons of her own (which she has pledged not to seek), or as a member in a European nuclear force. The Schmidt Government does not consider a European nuclear force a viable alternative to American nuclear protection, nor does it want to unleash unwelcome emotions at home and abroad by raising the issue.

tik would proceed 'without illusions'. This has meant harsh the GDR, but also behind-the-scenes personal negotiations wl a partial lifting of the GDR's outrageous mandatory currency programme. In future, the West German Government will ba: with the East German leadership over a general easing of re hopes for a 'change through rapprochement' have, however, gi more realistic attempts to come to terms with the GDR.

Relations with Poland are currently at a low point, because of West German credits and direct payments to victims of Na the Polish permission for ethnic Germans to emigrate, have pro intractable at a time of pragmatic politics. These difficulti eventually be overcome, as West Germany may lose interest i large numbers of emigrants come into her already overcrowde market, and the Poles realize that the West Germans' economic is not unlimited.

Relations with the USSR are occasionally clouded by Soviet sigence over the status of Berlin. To secure that status is one of main foreign policy goals, and how to go about it one of its major of domestic disagreement. The establishment of West Germ: Common Market agencies in West Berlin, pushed in part by F Minister Genscher in order to gain political stature for his oth lacklustre performance, has caused brief uproars; gradually, howe pattern of accommodation seems to be emerging. The Soviet Unior doubtedly attracted by the Federal Republic's economic streng unlikely to jeopardize co-operation with Bonn over minor issu Berlin. Schmidt's agreement with Brezhnev concerning the construc of a West German nuclear reactor in Russia whose output would flo both West Germany and Berlin may have pointed the way. Unless global process of détente, in which *Ostpolitik* has always been embed comes to a halt, German–Soviet relations can be expected to proc smoothly, if at a relatively low level of mutual transactions.

Ostpolitik has cleared away major obstacles and given West Germ increased freedom of action in world politics; her economic streng emphasized in the course of the energy crisis, offers the Federal Rep lic the leverage to win friends and exercise influence; the developm of a national consciousness of her own, finally, provides the dome: underpinning for a greater involvement in international politics. Th factors, which will continue to shape West German foreign policy in years to come, have contributed to giving the Federal Republic appearance of a political as well as an economic giant. It is, however, m of an appearance than a political reality, although appearance can sor times itself become a political reality.

The West German Government has perceived quite clearly that status as a political and economic middle power is dependent on

are and support of other countries. It is as a logical consequence of strong interdependence that Chancellor Schmidt, instead of acting strongman of sorts, has adopted the role of an 'honest broker' in ld politics. As a power which only recently has shed revisionist ambis of its own, it must be West Germany's main interest to prevent a kdown of the international status quo, on which she depends. The t German Government will, therefore, continue to seek a mediating e in international conflicts affecting the Federal Republic directly, her than a determining role. Helmut Schmidt has been playing this e quite convincingly.

Whether he will continue to do so depends to a large extent on the od of the German electorate which at the moment seems to prefer the rty in opposition (while choosing Schmidt as its preferred Chancellor). f course, until the elections in November 1976 much can happen. The DU need not necessarily win (at the moment, it has neither a candidate r a foreign policy programme). It seems safe to say, however, that even der a CDU Government West Germany's foreign policy will not dergo major changes. Hopefully, the Federal Republic will continue play her new role as a middle-sized giant with neither too much *Selbstbewusstsein* (which in German carries the connotation of arrogant elf-assertiveness) nor with too much self-consciousness, but instead with a consciousness of her proper role in the world of the 1970s.

Japanese foreign investment

R. P. SINHA

THE rapid rise in Japan's foreign investment,[1] and particularly its concentration in South East Asia, has once again raised the spectre of Japanese 'neo-colonialism' in the region. This was reflected in the anti-Japanese demonstrations during Prime Minister Tanaka's tour of five South East Asian countries early last year. An attempt is made in this article to examine the levels and composition of Japan's foreign investment and to highlight some of the reasons for the fears harboured by Asian countries.

The post-war history of Japanese foreign investment began only in 1951, all previous Japanese assets being forfeited in 1945. Up to 1960 the otal volume of Japanese investment abroad was only US $289 m. From hen onwards annual net outflow increased considerably, exceeding by 961 $100 m. and by 1970 $913 m. The cumulative total rose from US $3,596 m. in 1970 to $6,773 m. by March 1973—a 90 per cent increase

[1] According to current international practice, foreign investment includes oans, shares, and other securities, branch establishments, and other property.

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within three years—and, according to a recent estimate, by Marc the figure had gone up to $10,270 m.[1]

Table 1

Geographical distribution of Japanese foreign investments in 1969, 1973, (in US $m.)

	1969		1973		1980 (estim	
Regions	*Value*	*Percentage*	*Value*	*Percentage*	*Value*	*Perc*
South and East Asia	604	22·5	1,350	20·5	10,480	24
North America	720	26·8	1,549	22·9	7,505	17
Latin America	513	19·2	989	13·3	1,640	3
Europe	303	11·3	1,659	24·5	6,250	1
Oceania	158	5·9	432	6·4	3,335	7
Africa	79	2·9	148	2·2	1,050	2
Middle East	306	11·4	606	8·9	6,490	15
	2,683	100·0	6,773	100·0	42,480	100·

(Source: UN, *Economic Commission for Asia and Far East* (1970) and *The Eastern Economic Review*, 18 March 1974.)

The geographic distribution of Japanese foreign investment by regi as given in Table 1 shows that in the 1960s it was mainly directed towa securing sources of scarce raw materials in North America (particul Canada), Australia, and Indonesia. Because of the importance of the market, a significant proportion of investment for export promotion w into North America; South East Asia fitted both objectives and claim the second largest share; Latin America, too, was quite important.

With the hardening of US attitudes to imports from Japan in the ea 1970s, Japanese manufacturers started paying much greater attention Western Europe than in the past. Joint ventures with Europeans, whi provided the means of back-door entry into the highly protected mark of the EEC, became very popular. This was reflected in a five-fold i crease in Japanese foreign investments in Europe to a quarter of the to in 1973, exceeding the shares of North America and South East As During the same period the sustained increase in Japanese exports Europe, which came to be greatly resented by European governmen forced the Japanese Government and businesses to undertake volunta cuts in exports under the guise of 'orderly marketing arrangements', su arrangements being basically cartel agreements between Japanese e porters to curb the rates of growth of their exports to Europe. Japane business even went so far as to offer to market European goods in Japa the Sony Corporation of Tokyo, for instance, offering to sell Briti consumer goods in Japan through its own retail network.[2] As suggest by the Nippon Seiko Company's experience with its proposed ba

[1] In a recent report by MITI (Direction for Japan's Industrial Structu published in October 1974, it is estimated that Japanese foreign investment 1985 may total $93,580 m. See also report by Dodwell Marketing Consultan *Japanese Companies Overseas Investments.*

[2] *Financial Times*, 13 October 1972.

earing plant in north-east England, whose construction was opposed y both the trade unions and the management of local British plants who e the Japanese firm as a major competitor, Japan's foreign investment, o, will encounter resistance in Europe. Because of this and increasing osts of land and labour at home, Japanese investors are redirecting their ttention to South and East Asia. A projection by a Japanese bank indiates that by 1980 this region's share in Japanese foreign investment will ise more than seven times to 24·7 per cent of the total, while Europe's hare will decline substantially from 24·5 per cent in 1973 to 14·7 per ent, and that of North America slightly from 22·9 per cent in 1973 to 7·7 per cent. Latin America's share will fall drastically from 19·2 per ent in 1969 to only 3·9 per cent in 1980. For obvious reasons, the Middle ast share will nearly double.

Types of investment

Just over 60 per cent of the total Japanese foreign investment at the end of the fiscal year 1972 was in the form of portfolio investment,[4] nearly a third in the form of loans, and nearly 7 per cent in investments in overseas branches. The distribution of portfolio investment follows broadly a similar pattern to that of the total—a little more than a fifth in Asia, almost a quarter in North America, and just over a sixth in Latin America. In the case of lending, however, the North and Latin American shares are much lower and those of Asia and others much higher. Involvement in direct investment and overseas branches etc. is important only in North America, Western Europe, and Australia. Even within the regions, there is a significant concentration in a small number of countries. For example, in South East Asia only four countries, Thailand, Indonesia, Taiwan, and Korea claim 70 per cent of the total Japanese oreign investment in the region; the US has almost 84 per cent of the otal investment in North America, and Brazil just over 60 per cent of the nvestment in Latin America.

Of late, some of these countries have attracted Japanese investment at more rapid pace. Investment in Indonesia, a rich source of fuel and ther raw materials, had increased by 1973 to $612 m. as against total US nvestment in the country of $843 m.[5] In Brunei, one other major ecipient, the single largest investment is represented by liquefied natural as (LNG), a joint venture between Shell and Mitsubishi. This project, nnounced in 1969, involves an investment of $480 m. on the liquefaction

[4] According to Japanese convention this refers to shares and other securities sued by subsidiaries incorporated in foreign countries. Similarly, loans are made a branch, a subsidiary, or a joint venture in foreign countries. In cases where a ost country does not allow direct participation in equities, the loan is given to a ational of that country to acquire shares which indirectly belong to the Japanese nvestors. (See ECAFE, *op. cit.*, p. 22.)

[5] See Derek Davies, 'Indonesia: Looking to Its Own', *The Far Eastern Economic eview*, 4 March 1974.

plant and other facilities in Brunei, and special ocean tankers and distributional facilities in Japan; a twenty-year supply contract is part of the deal.[6] Total Japanese investment in Thailand had already crossed the $100 m. mark by March 1973, and more than doubled by the end of the year. In Taiwan, it was around $60 m. by 1969, which had already gone up to $90 m. by 1971.[7] In the Philippines, it totalled around $45 m. in 1969, and had reached $78 m. by March 1972. But the Japanese share of foreign investment in the Philippines remains low at around 10 per cent, while the US share is a little over two-thirds. In recent years Japanese investors seem to be keen to buy up the US interest in the Philippines, one of the important examples being the acquisition by the Mitsubishi Corporation of a 20 per cent equity in the Ayala Corporation, mainly by taking over the American holdings.[8]

Japanese companies have recently shown interest in copper mining and smelting, afforestation programmes, shipbuilding, and the tourist industry. The cumulative total of Japanese investment in Malaysia increased from about $36 m. to $62 m. between 1969 and 1972, most of this going into mining, wood and pulp products, and manufacturing. Singapore, Hong Kong, the Ryukyu Islands, and the Republic of Korea have also attracted Japanese private capital.

Investment in Singapore rose ten-fold between 1969 and 1973 to $244·8 m., with investors' interest appearing to range over refrigerator compressors, black and white colour television, carbide tools, shipyards, petrochemicals, and fishing. Investment in Hong Kong, which stood at $20 m. in 1969, has grown substantially and its total will rise further once the $5,000 m. mass-transit system financed by a Japanese consortium headed by Mitsubishi is completed. The cumulative total of investments in South Korea, which was only about $15 m. by the end of 1969 fiscal year, had already reached $47 m. by July 1970 and $650 m. by March 1973, with the Japanese investment inflow at nearly $103 m. in the first quarter of 1973 alone.[9] Japanese investments are mainly in chemicals and drugs, electrical machinery and equipment, textiles, and metals. Korea's close proximity to Japan and her relatively cheaper supply of land and labour have increasingly attracted labour-intensive industries like electronics and television assembly.

The share of loans (over three-quarters of total investment) is far more important than equity in Indonesia, Brunei, and the Philippines, as sources of raw material for Japan; their national governments do not seem to favour significant foreign equity participation. The corresponding figures for loans in Thailand and Malaysia are 35 and 33 per cent respec-

[6] ECAFE (1971), p. 23n; also OECD/DAC, *Development Assistance, 197[illegible] Review*, p. 79.
[7] *The Far Eastern Economic Review*, 28 August 1971, p. 73.
[8] *ibid.*, 13 May 1974.
[9] *ibid.*

tively. Conversely, equity is much more important than loans in Hong Kong, Taiwan, Singapore, South Korea, and India.

Geographical and sectoral distribution of portfolios

The geographical distribution of portfolios is given in Table 2, with South and East Asia having the largest number of projects. In terms of investments, however, its share is much lower than that of Western Europe and North America, with the average per project being less than half the overall world average.

Table 2

Japanese portfolio investment abroad by regions
(Value at the end of March 1972)

Regions	*No. of Projects*	*Value (US$ m.)*	*Percentage of total portfolio investment*	*Average Volume per project (1,000 US $)*
North America	1,143	909·2	26·8	795
Latin America	419	589·0	17·4	1,400
South and East Asia	1,826	702·3	20·6	384
Near and Middle East	30	10·3	0·3	343
Western Europe	466	1,019·1	30·0	2,190
Africa	113	53·0	1·6	469
Oceania	209	110·2	3·2	527
Total	4,206	3,393·1	100·0	807

(Source: The Bank of Japan (1973), *Overseas Investment.*)

Table 3

Japanese portfolio investment in selected countries
(Value at the end of March 1972)

(In US $ m.)

	No.	*Value*	*Percentage of total investment in region*	*Average volume per project (1,000 US $)*
USA	1,048	811·7	89·3	775
Brazil	187	406·0	68·9	2,171
South Korea	374	192·8	27·5 } 67·8	516
Indonesia	100	119·7	17·0 }	1,197
Taiwan	376	84·2	12·0 }	224
Thailand	213	79·2	11·3 }	372
Iran	25	10·0	97·1	400
UK	87	847·6	83·2	9,743
Nigeria	18	22·9	43·2	1,272
Australia	158	94·9	86·1	601
World Total	4,206	3,393·1	100·0	807

(Source: *ibid.*)

There are wide disparities also among countries, ranging from an average of $9·7 m. per project in the UK to only $0·2 m. in Taiwan. Relatively high investment per project is the general rule in

mining and quarrying—in the case of the UK, for instance, a total o $786 m. in only two investments[10]—and obtains even among poore countries like Indonesia and Nigeria. Brazil is an exception, with Japanes investments evenly distributed over various sectors. As a result of th predominance of consumer goods industries, particularly textiles, th per project investment in South Korea, Taiwan, and Thailand is rathe low. The ten countries listed in Table 3 account for 78 per cent of tota Japanese portfolio investment abroad.

Regarding total foreign Japanese investment, a major slice—nearly third—is invested in mining and quarrying, one quarter in Asia, anothe in North and Latin America. Manufacturing comes a close second wit nearly 27 per cent of Japanese investment, of which just over 42 per cent i in Asia, nearly a third in Latin America, and about 15 per cent in Nort America. Distributive trade and banking and insurance claim nearly quarter of Japanese investment overseas, of which just over two thirds i in the richer countries. North America alone has over 50 per cent of th total investment under this head. (See Table 4.)

The general pattern of investments between sectors clearly indicat that for sources of raw materials like minerals the Japanese are n depending only on Asian countries but are spreading fairly evenly over a the regions. For manufacturing they are heavily committed to developin countries whose surplus labour and potentially substantial market ha been a major attraction—out of about $400 m. (portfolio and loans) tot investment in textiles nearly $350 m. is in poorer countries.[11]

A classification of Japanese portfolio investment by industries and b regions is given in Table 5. As indicated earlier, a major share has gon into Asia and Latin America. In Asia, nearly 45 per cent of the portfoli investment in manufacturing is in textiles, while in Latin America met manufacturing claims the highest share, closely followed by transport equipment, textiles, chemicals, mechanical and electrical engineering thus clearly indicating a more advanced stage of economic development

Profitability

Although the data on earnings of Japanese direct investment ar scarce, some information, based on a survey conducted by the Export Import Bank of Japan, was provided by the ECAFE Survey and by a Economist Intelligence Unit study published in 1972. The figures wer derived from a sample of just over 350 firms. The ECAFE Survey indi

[10] Although the investment was in a British company (BP), it was intended fo Abu Dhabi.

[11] The distribution of the total number (281) of portfolio investment in texti projects among various regions was as follows at the end of March 1972: Nort America 3, Latin America 36, S.E. Asia 207, Western Europe 5, Africa 27, an Oceania 3. Of these, selected individual countries have the following number Brazil 19, Malaysia 6, Singapore 12, Thailand 34, Indonesia 16, Hong Kong 2 Taiwan 58, South Korea 42, Tanzania 4, Nigeria 9, Kenya 6.

Table 4

Japanese foreign investment by sector and by region (Value at the end of March 1972 in US$ m.)

	Asia	North America	Latin America	Others	Total
I. *Portfolio investment*					
Manufacturing	557 (45·8)	131 (10·8)	416 (34·2)	110 (9·1)	1,215 (100)
of which textiles	232 (69·9)	6 (1·8)	75 (22·6)	19 (5·7)	332 (100)
Mining and Quarrying	34 (3·7)	52 (5·6)	19 (2·0)	830 (88·8)	935 (100)
Distributive Trade or Banking and Insurance	47 (4·7)	633 (63·3)	103 (10·3)	217 (21·7)	1,000 (100)
II. *Lending*					
Manufacturing	87 (29·1)	110 (36·8)	22 (7·4)	79 (26·4)	299 (100)
of which textiles	27 (84·4)		3 (9·4)	1 (3·1)	32 (100)
Mining and Quarrying	220 (30·8)	102 (14·3)	123 (17·2)	270 (37·8)	715 (100)
Distributive Trade Banking and Insurance	67 (29·1)	87 (37·8)	55 (23·9)	21 (9·1)	230 (100)
Total Investment in each Region*	1,169	1,347	840	2,208	5,563

*This includes $372 m. worth of direct investment and investment in branches, out of which $10 m. was in manufacturing and remaining $362 m. is non-manufacturing. Out of this nearly $215 m. was in regions other than Asia, North America, and Latin America. Detailed breakdown of this category is not available to the author.
(Source: The Bank of Japan, *op. cit.*)

Table 5

Japanese portfolio investment in manufacturing by industries and by regions
(Value at the end of March 1972 in US $ m.)

	Asia		North America		Latin America		Western Europe		Total	
	No.	*Value*	*No.*	*Value*	*No.*	*Value*	*No.*	*Value*	*No.*	*Value*
1. Food	57	19·7	20	8·9	14	11·7	6	3·7	117	50·7
2. Textiles	207	231·7	3	6·2	36	74·5	5	0·5	281	331·8
3. Timber and Pulp	31	7·8	8	65·1	3	6·1	—	—	53	88·2
4. Chemical	134	32·5	8	3·1	23	52·3	8	9·5	180	103·2
5. Metal manufacturers	114	58·1	3	1·2	14	107·9	3	10·1	144	185·1
6. Mechanical Engineering	105	22·5	21	12·4	28	40·1	12	8·0	170	85·2
7. Electrical Engineering	236	93·5	22	27·8	29	26·3	8	1·7	306	155·3
8. Transport Equipment	27	29·4	1	0·03	10	85·5	2	4·0	44	126·0
9. Others	339	62·2	25	6·6	21	11·5	9	4·6	409	89·3
TOTAL	1,256	557·3	111	131·2	178	415·9	53	42·1	1,704	1,215·0

(Source: The Bank of Japan, *op. cit.*)

ed that, in terms of cumulated profit or loss, only just over half the ms in both the developing and developed world were running at a ofit. In the developed countries, firms earning profits and those making sses were equally divided; in the developing countries, 52 per cent of e reporting firms were earning profits and 46 per cent losing. Taken y regions, the percentage of firms earning profits was 100 per cent for West Asia, 74 per cent for Africa, only 41 per cent for Latin America, ;8 per cent for East Asia, and 51 per cent for South East Asia. Among the ectors, textiles (63 per cent), electricals (57 per cent), and electronics had higher share of profit-making firms, whereas in agriculture, fishing, ining, and foodstuffs, profit-making concerns were relatively few.

Such figures can be taken as only broad indications. Since Japanese vestors aim at securing sources of raw materials for Japanese industries d markets for their manufactures, they are not always interested in iximizing short-term returns on investment. Where the main purpose a foreign subsidiary is to provide raw materials for the parent company, ofit or loss cannot be accepted at face value as an indicator of economic formance. When royalties have to be paid on profits to the host intry, the firms may not be interested in showing profits. In such a iation, there is always the risk of price manipulations between the osidiary and the parent company which may prove to be doubly dis-antageous to the host country: its products (mainly raw materials) and nponents can easily be priced low, while the imported machinery and hnical know-how may be overpriced.

ture of Japanese foreign investment

On present trends, Japanese investments abroad will increase rapidly, ticularly in East and South Asia and the Middle East. With the grow-shortage of domestic labour and land and increasing pressure from environment lobby, Japanese industries will have to look for foreign es. Besides, there is the growing need for fuel and the realization that an could not rely for vital raw materials on multinational companies, ticularly the US multinationals; it is feared that in the event of a ous crisis the latter would look after America's interests before an's. Another reason for increasing Japanese direct investments in developing countries, especially in East and South Asia, is that the few years have made it increasingly clear that Japanese access to the kets of richer countries in North America and Europe will be severely ricted in future. While the Europeans can remedy or at least counter-US protectionist measures by joining a Common Market and erecting iff wall, there is no such immediate possibility of creating a regional e-block in Asia. Because of Japan's history, any suggestion of econo-co-operation between Japan and East and South Asian countries is ediately suspect. The ghost of the 'East Asian Co-Prosperity Sphere'

[illegible] economic co-operation between th[illegible]
the 'Ugly Japanese' has replaced 'the Ugly American' a[illegible]
[illegible].[13]

However, the need for increasing co-operation between [illegible] developing countries with their potentially large markets is bei[illegible] by the Government, academics, and industrialists. The Econ[illegible]ning Agency is of the opinion that 'Japan depends to a cor[illegible] extent on economic relations with developing countries. And the [illegible]ment of economies of such countries is a prerequisite for stabilize[illegible]tion of economic interchange between Japan and developing coun[illegible] Similarly, the chief of one of the major business houses is repo[illegible] have said:

> These [Taiwan, Korea] are countries we can co-operate with e[illegible]mically. Europe has its EEC. America is sufficient within itsel[illegible] coloured peoples who have become the world's problem people [illegible] even now unite our strength. I believe the old East Asian Co-prosp[illegible] Sphere was essentially right. The only trouble is that Japan lo[illegible] only to its own advantage and resentment of this persists still. [illegible] now on we must meet the new age by changing our thinking [illegible] about giving aid and about being aided.[15]

Among academics, one of the foremost advocates of co-operation betwe[illegible] Japan and the developing countries is Professor Saburo Okita who h[illegible] urged the gradual transfer of technology, capital, and management fro[illegible] Japan to the newly industrializing countries, especially in Asia, in orde[illegible] to establish labour-intensive, export-oriented industries, and a readines[illegible] by Japan to increase imports of industrial goods.[16] According to Professor Okita, this would encourage industrialization in the LDCs, and consumers in the advanced countries would be able to buy more cheaply as a

[12] There is some truth in the argument that Japanese big business is not particularly interested in financing the development of heavy capital goods industri[illegible] because this may restrict their exports. But they are often forced to assist th[illegible] development to prevent other rich countries from entering into such marke[illegible] Sometimes they use unfair means, as shown by the controversy around the first petrochemical plant in Thailand. Mitsui and Mitsubishi tendered at such low prices that European firms were forced to withdraw. Once they were out of the race, the Japanese slowed down the implementation of the project, though they had already begun to enjoy some of the special concessions and privileges granted by the Thai Government as part of the deal. (See *The Far Eastern Econom[illegible] Review*, 30 December 1972, p. 35.)

[13] John K. Emmerson, *Arms, Yen and Power: The Japanese Dilemma*, (New York: Dunellen, 1971), p. 305.

[14] Government of Japan (1970), *New Economic and Social Development Plan 1970–75*, p. 27.

[15] Quoted in J. Halliday and G. McCormack, *Japanese Imperialism Today* (Harmondsworth: Penguin, 1973), pp. 117–18.

[16] S. Okita (1973), *Ekonomisuto no Yakuwari* (in Japanese) (The Role of the Economist), reviewed in *The Far Eastern Economic Review*, 3 December 197[illegible] See also S. Okita (1972), *Economic Development in the 1970s: Japan and Asia*, Japan Economic Research Center, paper no. 18, pp. 43–4.

international division of labour. In his view, such a strategy ...ly require a reallocation of displaced resources (labour and ...Japan—a painful process but 'in the long run, if countries ... do not follow such measures, there will be less opportunity ... trade expansion'.[17] In pure economic terms this makes a great ...ense. What needs to be stressed, however, is that such a strategy ...ational co-operation requires a Schumpeterian process of 'crea...struction'—a constant transformation from less to more sophisti...products so as to provide growing markets for the less sophisticated ...cts of the developing economies.[18] The system will work well so ...s the developed countries continue to retain their lead in scientific ... technological innovations. Social cost will not be immense in ...tries with shortage of labour.

... both these aspects Japan is at present favourably placed. Besides, ...tructure of Japanese big business, which incorporates various differ... types of enterprises, can withstand the strains created by such reallo...on policies comparatively well, as the displacement of workers from industry does not necessarily mean the end of job prospects with the or its subsidiaries. *In advanced countries with chronic unemploy...t, political resistance to such reallocation which may lead to redun...y must be high. Even in Japan, such a policy will probably only ...cceed so long as there is complementarity between her own develop...ent and that in a developing country. Things will look different when ...me of these countries manage to industrialize themselves. It is doubtful ...hether a Japanese parent company would allow its subsidiary to adopt ...olicies or develop production lines which could threaten Japanese ...arkets abroad. There is also a risk of conflict between Japan and a ...developing country, if the latter plans to restrict the export of its scarce* ...aw materials at some later stage. Such a situation has already created ...tension between Japan and Australia on the issue of supplying liquefied ...atural gas to Japan. A recent decision of the Australian Government to ...ithhold supplies of coking coal from Japan with a view to assuring ...asonable supplies for the Broken Hill Property Company Ltd, Austra...l's only steel makers, was very much resented by Japanese business. ...or do they look with favour on Australia's effort to obtain a larger share ...shipping trade between the two countries, or on her decision to join an ...sociation of bauxite producing countries.

Asian countries, with their past experience, fear political (not neces...rily military) interference from Japan,[19] with her growing economic

[17] S. Okita (1972), *op. cit.*, p. 39.

[18] R. P. Sinha, 'African Primary Products and International Trade', *Scottish ...rnal of Political Economy*, Vol. XIII (1966), p. 261.

[19] Japanese business is allegedly already indulging in such practices in Thailand. ...has been suggested that the opposition to the Sanya Government's bill to ...rogate Revolutionary Party Decree No. 53 prohibiting trade with China was

power, self-confidence, and improving world image. They
convinced that Japan has given up her super-power 'chauv
Asian eyes, the Emperor's journey to Europe and the repeated
claim to a permanent seat on the UN Security Council reflect th
of superiority towards other Asians. Not many of them will take
the suggestion that the Japanese consider themselves as 'coloure
therefore closer to the developing countries. Too much distrust
imposed on inferiority complex and perhaps jealousy) on the
most Asians and a superiority complex (sometimes verging on ar
and lack of diplomacy) on the part of the Japanese business ex
stand in the way of greater understanding.[21]

sponsored and backed by Japanese businessmen who are alleged to have mo Baht 60 m. to back the 'Group of 99' in the Assembly. This group cons people heavily involved in business and commerce with the Japanese. (Se *Far Eastern Economic Review*, 13 May 1974.)

[20] The statement by a business chief quoted on p. 148 includes the phrase coloured peoples'

[21] The Japanese leadership is fully conscious of these limitations and atten are being made to impress on Japanese investors to 'aim at achieving co-operat and harmonious relations with local economy and community, in order to beco an integral part of that society'. This statement appears in a guideline issued joint in June 1973 by the Japan Federation of Economic Organizations, the Japa Chamber of Commerce and Industry, the Japan Committee for Economi Development, the Japan Federation of Employers' Association, and the Japa Foreign Trade Council. (See *Japan Echo*, vol. 1, no. 1, 1974, pp. 59-61.)

...ile: regime in quandary

...ER STRAFFORD

Chile's recent efforts to re-negotiate her large external debts have forced the military junta to project a milder image of the regime abroad. But how far has internal repression been relaxed?

...HILE is continuing to pay a heavy price for the experiments and th... cesses of the Allende period. Military rule of the severest and mos... ...utal sort is sitting heavily on the country, with civilians kept very much ...t arm's length. Even the Christian Democrats, the country's largest ...arty, who consistently opposed the Allende Government, have been ...old to keep their mouths shut.

For the regime, all this is justified by the need to return to normal after the disruptions of the Allende period and the headlong rush, as they see it, towards a Marxist system. But their idea of what is normal has turned out to be rather different from that of many people who initially supported their takeover in September 1973. It appears to involve not only the rooting out of any vestiges of 'Marxism-Leninism', a vague, all-purpose term, but even a refusal to permit a system of political parties at all. General Pinochet, who started out as merely first among equals in the military junta, but is now formally President, has denounced the parties as 'symbols of division and national decadence', and has said that the present 'recess' will have to continue for several years more. It can only end, he has proclaimed, when 'a new generation of Chileans, formed in healthy civic and patriotic habits, and inspired by a genuine national spirit, can assume the direction of public life'.

Such statements suggest that it will be very long before the present leaders feel that it is time to return to their barracks. And there is in fact nothing to force them to do so. When they intervened in September 1973, there was much less resistance than had been expected, and they were undoubtedly welcomed by a large part of the population, particularly the upper and middle classes. Since then, they have succeeded in strengthening their hold throughout the country, so that there is no effective opposition. Externally, they have financial and other support from the United States, which was denied the Allende Government and was a significant factor in its ultimate collapse.

As to the wave of criticism of the regime's methods from abroad, its

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leaders and their supporters seem genuinely unable to understand it. They are concerned about the adverse reaction, of course, and have made various attempts to do something about it. In January, for instance, they released Dr Clodomiro Almeyda, who was Foreign Minister under Allende, and six other leading politicians from that period. Later they announced the release and expulsion of a number of other political prisoners, and declared that they would give all the Chileans who had taken refuge in embassies in Santiago safe-conducts to leave the country. Dr Almeyda was one of the leading members of the Unidad Popular who had been held without trial since the military takeover, and like the others he was only released on condition that he went into exile. But measures of this sort appear to be more a reflection of attempts to improve Chile's image abroad than of a fundamental change of policy. Basically, most of the leaders of the regime are so strongly convinced of the rightness of what they are doing that they believe any criticism to be malicious and subversive: in other words, inspired by the Soviet Union, and merely proving how far Marxist ideas have infiltrated the rest of the world.

For most supporters of the junta there is, in fact, a simple explanation of the military takeover. Allende's Unidad Popular Government, they say, was a deliberate attempt to turn Chile into a Communist satellite, through the 'dictatorship of the proletariat'. The Government used illegal means, violated the Constitution, and its policies led to economic chaos. The armed forces were, therefore, fully justified in stepping in, and it was bound to take time and exceptional measures before everything could be straightened out again. This argument may lose its force in time, as memories of the Allende period, and its disturbances and shortages, fade. But for the time being it has its effect. Because of it, many middle-class Chileans are prepared to ignore the mass detentions, the frequent use of torture, the suppression of political and intellectual freedom, the banning of trade unions, and the pervasiveness of the dreaded intelligence services. They think of the queues of the Allende period, and the seizure of private property, and they prefer things the way they are. Businessmen are no longer afraid of walking into their offices and finding that they have been taken over. While the more perceptive among them question the Government's right-wing economic policies, and the hardships they have caused for the poor, for many others starvation in the *poblaciones* on the edge of Santiago seems a long way away.

Rationale of repression

Chile has always been a country with its own individual characteristics, distinct from its Latin American neighbours. Chileans have prided themselves on a sophisticated approach to politics. The armed forces have had a reputation for being apolitical, and have not seemed to be interested in power for its own sake. When the upheaval came, therefore, and the

military finally decided that the time had come to move in and clear up the mess, things turned out very differently from what had been expected.

The new rulers had completely ignored the attempts of the Allende Government to introduce social reforms and to re-distribute incomes, as well as its tolerance of opposition. They appeared to be traumatized by the trend towards greater state control, and particularly by the wilder revolutionary statements of supporters of the Government, whether or not they represented government policy. They noticed the Government's habit of 'intervening' in private industry on grounds that were constitutionally dubious, and the armed takeovers of country estates by left-wing groups. They were particularly upset by the apparent growth of armed groups and threats that they would try to infiltrate the armed forces themselves.

The Christian Democrats had long been denouncing the Unidad Popular Government for acting unconstitutionally, and the Congress, which they controlled, had been in constant opposition to it. But when the armed forces came in, they chose not to heed such voices as these. They listened to the right and the extreme right, apparently concluding that the Christian Democrats had had their share in the process which had led to the Allende Government; they, like the Roman Catholic Church itself, had been 'infiltrated' by Marxism.

The response of the military was a simple one: the political parties, the Congress, the trade unions, and the left-wing press must be closed down, leftists removed from the universities, and left-wing books banned; normal legal procedures must be suspended and anything to do with 'Marxism–Leninism' rooted out. This process, begun with enormous brutality when the armed forces took over, is still continuing today. In recent months they have been concentrating with some success on the Movimiento Izquierdista Revolucionario (MIR), the extremist left-wing group which remained outside the Unidad Popular. Last October they tracked down and killed Miguel Enriquez, the group's secretary-general and one of its original founders. Other leading members of MIR were killed in December. In November Señora Laura Pascal Allende, sister of the former President, was arrested on the ground that she had been incriminated by some of the documents that had been discovered.

It is this search for leftists which has led to the worst abuses of the past year or more, and to the outspoken criticism of the Organization of American States, the United Nations, the International Commission of Jurists, Amnesty International, and almost everyone who has looked into the situation. The average Chilean has virtually no protection against arbitrary detention, interrogation and possibly torture, and a summary trial before a military tribunal, with no possibility of review. People frequently just disappear, and no one knows where they are. When I was in Santiago last September I saw some who are trying to help those who are detained in this way and have no money to pay for a lawyer. I was told

that they had handled about 15,000 such cases in the previous months, simply from the province of Santiago, and that half of them had been tortured.

The legal basis for this state of affairs is the 'state of siege'. (General Pinochet announced last September that the 'state of war' was over but, since he had just previously introduced new rules for a state of siege, the change was simply one of name.) It is strengthened by the fact that the Supreme Court, which welcomed the military takeover in 1973, has declared itself incompetent to review the activities of the military courts. Only one of the thirteen members of the court, Dr Jose Maria Eyzaguirre, the Vice-President, dissented. Other lawyers are not so happy, including some conservative ones who were strongly opposed to the Allende Government. They point to the arbitrariness of the present situation, in which people are being tortured and even killed, the fact that there is no habeas corpus, the long detentions, the unequal sentences passed by the military courts, and much else. Decrees issued since the military coup are applied retroactively to events that took place before it, during the Allende period. The fact of being, or having been, some sort of Marxist is being treated as though it were criminal in itself.

Attitude of the Church

Much of the strongest criticism has been coming from the Roman Catholic Church, very much an established institution in Chile, which gives it the possibility of saying and doing things that other bodies could not get away with. The junta does not like the attitude of the church leaders, and particularly of Cardinal Silva Henriquez, and General Pinochet has said publicly that the Church is infiltrated by Marxism. But the military hesitate to move against its dignitaries the way they do against politicians. This is partly a matter of the position of the Church within Chile, but also of its international support.

Thus Cardinal Silva has more than once made public appeals for an amnesty for political offenders. The Chilean bishops as a whole have published an outspoken attack on the abuses that have been committed since the armed forces took over. And Catholic priests are working together with representatives of the Orthodox, Protestant, and Jewish communities to help those who have been worst hit by junta policies. This involves not just legal help, but also on occasion the distribution of food to people who are out of jobs and cannot afford the constantly rising prices. Such humanitarian activities are not easy, because even priests come under constant harassment. They have to have official approval for meetings other than church services, and are liable to have armed men breaking into any gatherings that go beyond that. Demands are frequently made for the exiling of priests who displease the junta. Even Cardinal Silva and other bishops have to be careful not to overstep the mark and

jeopardize the uneasy relationship they have established with the regime. When they are criticized for not being more direct and more open in their opposition, they reply that they cannot win in any open confrontation with the armed forces, who have the weapons. They must therefore make their choice between martyrdom and a limited accommodation which enables them to maintain the Church's activities and ideas.

Many priests were, of course, strong supporters of the Allende regime, and even of the more revolutionary elements of that time, and some were arrested and tortured in the period after the military takeover. These facts only serve to fuel the hostile attitude of the more intransigent members of the armed forces and their civilian supporters. But there are also right-wing churchmen who support the coup, the most notable being Monsignor Emilio Tagle, the Bishop of Valparaiso. Thus the Chilean extreme right, which does not want to attack the Church as such, is able to conduct a campaign in the press against 'bad priests' and 'bad bishops', including Cardinal Silva.

Political opposition

For the political opposition, this is a thin time, to say the least. The left are being hunted down by the intelligence services—at least those who are not already in exile. The Communist Party, with its long experience of underground existence since it was banned in the 1940s, is lying very low. Even members of the Christian Democratic Party, which covers a wide span of opinion across the centre of the political spectrum, are reluctant to talk and will look over their shoulders for fear of being overhead in, say, a restaurant. When the armed forces moved in in 1973, many Christian Democrats clearly hoped that it would be a brief surgical operation, at the end of which powei would be handed over to them as the largest party. While its left wing disagreed, and issued a strong condemnation of the coup, the party as a whole issued a statement which appeared to regard the military intervention as a regrettable necessity. It dwelt at length on the shortcomings and illegalities, as it saw them, of the Unidad Popular. It went on to criticize the dictatorial nature of the military regime, apparently in the hope that it could be modified by tactful pressure.

Any such hopes have been badly disappointed. This was made clear last summer in an exchange of letters between General Oscar Bonilla, then Minister of the Interior, and Señor Patricio Aylwin, the president of the Christian Democratic Party. Surprisingly, the letters were published in the Santiago press. They showed that the two men had previously had three private conversations in which Señor Aylwin had complained about the junta's repressive policies, but General Bonilla had taken a high-handed line in reply: he bluntly refused to listen to complaints about censorship, and reminded Señor Aylwin that there was a military govern-

ment in Chile, which intended to guard the security of the r publication of the letters was followed up by a public governı ment which attacked Señor Aylwin for releasing his letters to ı press (obviously the reason for the publication of the correspo Chile), and warned the Christian Democratic Party that the Go was prepared to take 'all necessary measures, however drastic, ı that the political recess is wholly respected'.

There was a further clash in November, also sparked off by a C Democrat's having recourse to the foreign press. Señor Renan Fuei a former President of the Christian Democratic Party, was al exiled from the country after giving an interview to *Agence F Presse*, in which he criticized the Government's attitude to human ı Señor Eduardo Frei, the former President of Chile, broke his po silence to join in a protest against the expulsion, but the Governm decision was upheld by the Supreme Court, leaving relations betweeı regime and the Christian Democrats worse than ever. Señor Bern Leighton, another leading member of the party, was also refused pern sion to return to Chile from abroad.

One of the party's problems has always been its political divisi Both Señor Fuentealba and Señor Leighton were members of the l wing group which denounced the military takeover from the beginni Members of this group want the party as a whole to break with military regime, and form a united opposition front with other partie such as the Radicals, the more moderate Socialists, and even some me bers of the right-wing National Party, and eventually the Communi But the party's right wing is opposed to this approach, and it was signi cant that soon after Señor Frei's public protest a letter reached ı Santiago press which he had written in November 1973, and in which justified the military coup.

The economic situation

For the future, public support for the regime will presumably depe to a great extent on its handling of the economy. Many people rememl the disruption of the Allende period and have been glad to see situation returning to something more normal. Some, but not all, of companies and estates taken over by the Unidad Popular are being turned. The large American mining companies are being compensa for being taken over, and a deal has been struck with ITT, long one of Allende Government's most militant opponents. The regime is doing it can to make Chile attractive for businessmen, and particularly fore businessmen who will bring in much-needed investment.

On the other hand, no government finds it easy these days to redu inflation, and Chile is no exception. The official figure for last yea inflation is 375 per cent, which may well be less than the figure for 19

..ill remarkably high. A recent report by the World Bank suggested Chile would have difficulty in getting all the foreign investment she ed. To deal with inflation, the report added, she would need not to reduce her plans for public investment, but to cut back sharply er present lavish spending on the armed forces.

There is no reason to suppose, however, that even if the economy does eriorate this will necessarily lead to an effective opposition, at least side the armed forces. Despite the fact that there has already been h unemployment for many months now, and people are going hungry some places, there is little chance for any movement of protest to make elf heard in present conditions. One possible alternative to the present gime was removed last autumn when General Carlos Prats, the former ommander-in-Chief of the Chilean Army, was assassinated in Buenos res. General Prats had a reputation as a constitutionalist, and he had ved as a member of the Allende Government, providing it with mili-y backing. He was forced to resign by opposition within the armed ces not long before the military coup, and left Chile soon after it, spite attempts to stop him. He was seen by many people as a possible lacement for the present regime, and his death, still unexplained, was piciously convenient for the junta.

When the armed forces first took over, they spoke of a return to civilian ernment, provided that Marxists were excluded, and set up a special nmission to draw up a new constitution, whose members have been work ever since. Some of them are in favour of a system of political ties—always providing that Marxists are excluded, as they were for a e by the West German Constitution—while others believe in a cor-ate state. But it all appears rather academic for the time being, be-se General Pinochet has made it clear that the armed forces are in no ry to bow out. They have to achieve their goals, he said last September, this could take 20 years.

The only prospect for change is if the regime becomes really concerned ut pressures from outside. Lately it has shown signs of being worried its foreign debt, which has been worsened by the drop in the inter-ional price of copper. With its eye on the meeting of Chile's creditors March, it tried to give the impression of a softening of its internal icies with the release of some detainees and the safe-conducts for the igees in the embassies. But it has still to provide evidence that this is re than a superficial letting up designed for foreign consumption.

There is no doubt that the military government has lost much of the lic support that it had when it came in. But it has developed a siege ntality, and tends to regard criticism as politically inspired. It remains ermined to root out Marxism, which it regards as a foreign import. is is likely to take it a long time, as other regimes which have tried to np out similar ideas have discovered. Meanwhile it has become more

[illegible] even in Latin America where th
[illegible] of solidarity towards the outside world
[illegible] of diplomatic relations last November and ev
[illegible] by Chilean attitudes. But presumably the U
had a hand in bringing the regime to power, will con
support, regarding it as preferable to any alternative

Italy in the European Community and Atlantic Alliance

CESARE MERLINI

Italy's problem is not whether to remain part of both the Euro and Atlantic organizational frameworks, but how. The answer will depend on the direction taken by Europe as much as on the evolution of transatlantic relations

ITALY has been part of the Atlantic Alliance since 1949 and European Community since 1958. The acceptance of both the At treaty and the treaty of Rome came out of sharp domestic political t In the former case, to the strong opposition of the Communists an Socialists were added the divisions among the Social Democrats le Saragat, now the spearhead of Italian 'Atlanticism' and even the re tance of a small wing of Christian Democrats the ruling party since war under the leadership of De Gasperi. The debate on the ratification the Rome treaty eight years later witnessed a small but important evo tion due to the abstention of the Socialists — a symptom of the approach their entry into government (the so-called 'apertura a sinistra') whic implied acceptance of the Atlantic Alliance as well. Since then th Socialists have not only fully accepted the two treaties and their politica implications but Pietro Nenni, when Foreign Minister, gave a strong European stamp to his policies: an outstanding example was the joint Anglo-Italian declaration in favour of stronger and more democratic European institutions signed by the second Wilson Government in the 1960s. A similar path was followed by the Italian Communist Party which, in the late 1960s, carried out a thorough revision of its attitude towards the European Community, resulting in the entry of its deputie

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arliament and later in a formal acceptance of Nato. there has been no fundamental difference in Italy nt and Opposition as far as foreign policy is concerned. inter of 1973–4, a certain tension over Atlantic links ment about European integration showed up, not neces- line of division between majority and minority. Although that this is going to jeopardize Italy's membership of the ions, her situation is worth watching in the light of their

ast, foreign policy was the prerogative of the highest authority te: King, or Government. Now, in an interdependent world, longer the case; foreign policy is the result of several activities rom different actors, public and private, not always consistent h other and with government policy. Because of the lack of will and imagination to face this new situation by taking meas- . by setting up institutions at the supranational level, there is a degree of anarchy in international relations. This is true of the rialized world, particularly Western Europe, and especially of In fact, because of the endemic and increasing weakness of the Government, one cannot fully understand Italian international without also taking into account the foreign policy activities and des of political forces, business, and trade unions.

course, transnationalism is stronger in the European Community, a r new type of state interdependence, than in the Atlantic Alliance, is not very different from the traditional alliance. But since behind lliance there has always stood, and still stands, the US, with con- ed political, economic, and cultural links, the involvement of the e Italian system is important also in this case.

litical and social spectrum

onsidering the Italian political forces, two aspects usually strike eign observers: the scant attention given to international issues and ir exploitation for domestic goals. This only partly contradicts what is d above about the evolution of the Communist Party and of the Social- Party.

The Communist Party is a rather special case. First of all, it has its ts in the world Communist movement and has a long-lasting tradition nternational relations, not only in terms of inter-party relations but, ause of the identification of several Communist parties with their es, also in terms of inter-state relations. The dependence–indepen- ce–interdependence issue is thus very familiar to its leaders. In the nd place, the Italian Communist Party has always been in opposition h the exception of a very short time just after the war) and has felt the ed to qualify its stand with respect to the majority. Approaching the

area of government, as it has been trying to do in the last few years, has meant also that it has had to find a new foreign policy line, which takes into account the international environment of the country, namely the European Community and the Atlantic Alliance. Hence the Communists' relatively intense activity in the field of foreign policy.

The external links of the Socialist Party have been weaker: the importance of the 'International' is less compared to the Communists' links with international institutions. When in opposition with the Communist Party, the Socialists were overshadowed by their colleagues. And when the time came to enter the coalition Government, which required action in the foreign policy field both as a subject of internal debate and as a line of external activity, the Socialist Party gradually joined other coalition parties in their low international profile. Actually, after the period of the 'great choices'—the Atlantic Alliance and the European Community—the Christian Democrats and the so-called 'partitini laici' (small lay parties) have gradually lost interest in foreign policy matters, assuming that Italy should not occupy a prominent position on the world scene and that the Government should act within these limits. As far as the European Community is concerned, this coincided with a shift of focus from political to economic integration. Moreover, practically all parties have shared one feature: the exploitation of international issues for domestic goals. Two reasons can be found for this: first, the assumed stability and little relevance of Italy's international position; secondly, as an American scholar put it, 'in an unstable system with stalemating tendencies, frequent governmental crises, and constant political manœuvres within and among parties, exploitation of foreign policy for internal purposes is almost inevitable'.[1] This is true with respect to European integration, but even more for the Atlantic Alliance.

The production forces, entrepreneurs and workers, have a natural interest in the economic and social aspects of international relations. The EEC is thus, in principle, more relevant to them. Business was initially doubtful about integration, and was forced to accept it by political decision. Then, during the 1960s, it was able to take advantage of the Common Market and to do very well. In the early 1970s, more than 40 per cent of Italian trade was absorbed by the Community partners. Nevertheless, Italian industry, especially in the advanced sectors, has been linked, as all other European industry, to the American matrix. Thus Italian business has become pro-European, but within a wider permanent framework of pro-Atlantic priorities.

The trade unions have only recently become interested in foreign issues other than the problem of migrant workers. The opposition of the

[1] Primo Vanicelli, *Italy, Nato and the European Community: The Interplay of Foreign Policy and Domestic Politics* (Harvard University Center for International Affairs, 1974).

reat majority of Italian workers to the Atlantic Alliance and, to a lesser egree, to European integration was dictated by the political parties, at a ime of strong trade union dependence on them. In recent years, the ituation has changed as the unions have become more independent of the parties. There has been increasing attention to foreign issues, especi-lly Community ones. The main feature has been the recent entry of the CGIL, the Communist-dominated Italian Trade Union Confederation, nto the European trade union organization, after its de facto departure rom the Soviet-dominated World Federation of Trade Unions, WFTU.

However, in contrast with the good performance, until recently, of the talian economy in the Common Market, there have been some dis-ouraging new figures relating to what the Italian Government was able o take out of the Community of Six up to the end of 1972. The agricul-ural fund supplied to Italy a total of 53 units of account per capita (as gainst 93 for France), i.e. 24 per cent of the total yield (while Italy repre-ented 29 per cent of the Community population and 40 per cent of its easantry). The agricultural fund then comprised 91 per cent of the total Community expenditure. Even of the remaining subvention, Italy has eceived 78 per cent of her share in the form of loans at interest rates imilar to the market ones, but only 16 per cent in the form of grants, lirect contributions, or soft loans, which is the smallest figure in the Community (compared, for instance, with 37·4 per cent for Holland). This shows, on the one hand, how insensitive the EEC was towards the talian case, and, on the other hand, how little the Italian Government ad to defend it.

With the exception of the Foreign Office, the administration has been lmost totally unprepared to deal with Community problems. Even inside he Farnesina, according to an inquiry made by the Italian Institute of nternational Affairs a few years ago, European positions come very low n the aspirations and priorities of our diplomats or future diplomats. The ame can be said about transatlantic relations: sympathy towards bi-ateralism has always been dominant. With the majority parties relying n the Government, and the Government resenting the lack of interest hown by the parties, Parliament is the pivot of this unproductive vicious ircle, which can be extended over a large part of foreign policy. Parlia-nentary debates on international questions are often concentrated on narginal issues—Vietnam, for instance, has probably taken up more time han Europe and broad Atlantic problems.

What alternatives?

Are there foreign policy alternatives for Italy to West European inte-ration and Atlantic solidarity? Ever since the Cold War, the Communist orld has appealed to the Italian Left, first as an opposite model vis-à-vis he West, then as a prospect for a neutralized Europe, and finally as a

partner in a security agreement that would, de facto, annihilate bloc confrontation. None of these scenarios has worked: the halting progress of the European security conference (CSCE) towards a meaningless conclusion has been the final disillusion. West European integration is no longer considered as being inconsistent with détente policies. As already pointed out, the Atlantic Alliance is now accepted by both Socialists and Communists as necessary, until the 'dissolution of blocs' takes place.

A second alternative foreign policy line, deriving from early Italian history, focuses on the Mediterranean basin. Traditionally, power and of self-assertion policies have looked in this direction, and they have usually had followers on the right of the Italian political spectrum. But since the war there has been support from the state-owned oil agency, ENI, and from leftist Catholics for a more pro-Arab attitude—a rather heterogeneous mix of national interests and sponsorship of developmental aid from a Christian ecumenical point of view. The few ambiguities that remained as a result in Italian foreign policy were, however, not enough to save Italy after the Yom Kippur war from being relegated by the Arabs to the limbo of neither friendly nor enemy countries.

For most countries, and particularly for Italy, it is risky in the present situation to extrapolate from recent trends and doubtful to make predictions. I would only like, in concluding, to revert to my initial point, i.e. the relevance of the European Community and the Atlantic Alliance to Italian domestic policies and vice-versa. It is known that the present very acute crisis in Italy results from the difficult international situation due to the drastic increase of our payments deficit following the steep energy cost rise, together with domestic troubles, linked to the end of a political generation that ruled the country uninterruptedly for 30 years. This continuity has often been considered a sign of stability, but it is also a sign of sclerosis.

To increase stability effectively, three ways have been considered: first, 'rejuvenation' within the present coalition, which does not seem a far-reaching solution because of the lack of personalities among the younger leaders; second, moving to the right, which cannot go beyond the small Liberal Party, since it is clear that neo-Fascist groups have been almost constantly planning coups d'état and that such a move would cause the Socialist Party to leave the Government; and third, accepting the support of the Italian Communist Party, the so-called 'compromesso storico' which has been polarizing the Italian political debate for the last two years.

As far as our balance of payments problem is concerned, we have experienced international solidarity to a great extent. Italy's foreign debt is at present as high as $16,600 m., and likely to increase to about $18,000 m. if the Community loan presently to be negotiated with oil-producing

ountries is successful. According to the Treasury Minister, Signor Colombo, we are likely to need further financial support. The evaluation of the financial sources and the associated conditions add, none the less, an interesting feature to this substantial economic help. The international financial market (mostly the Eurodollar one), the IMF, and the EEC were the instances where Italy applied successfully. But this is not the case any more. At present she has to resort to individual countries, namely Germany, to which the EEC is an increasingly transparent screen, and the US.

Conditions and pressures

On the European side, Italy has been faced explicitly with economic conditions. Traditionally, the EEC has suggested macro-economic measures (containment of inflation, reduction of deficits, etc.) to the Italian Government.[2] The recent loan from the German Federal Government was given at more or less normal interest rates, with an additional gold guarantee, which is likely to conceal a simple sale of the gold when the loan expires. Attempts to give the Community effective micro-economic instruments to enter Italian economic policy, from the so-called structural policies (regional, industrial, social) to the proposal of including project support facilities in the draft of the present Community loan, have not been successful. This is very unfortunate, because this is what Italy really needs.

Then there is an implicit institutional condition associated with membership of the EEC. The similarity of the institutions of the Nine, the exclusion of Southern European authoritarian regimes, verified 'a contrario' by the opening towards Greece and Portugal after their recent evolution towards democracy, have all been pointing to a European heritage to be saved. If this is kept up, it will be a warning to Italy. If, on the contrary, the Community should become a looser association of states, this unique feature, too, is likely to be dropped.

From the Atlantic side, particularly the United States, Italy has been subjected to rather mixed, if not contradictory, pressures. On the one hand, there is the plea for discouraging epidemic inflation (e.g. requests for establishing a ceiling to credit facilities) and for greater efficiency. Nevertheless, political conditions appear heavier, substantially if not formally, than economic ones. Dr Kissinger's almost explicit admission of CIA interference in Italian domestic politics in the midst of a governmental crisis precipitated by a political group well known for having strong American connexions was revealing. Political conditions are likely to be stronger than institutional ones, too, as the history of the

[2] See Marcello de Cecco, 'Italy's payments crisis: international responsibilities', Chatham House Conference paper published in *International Affairs*, January 1975.

Atlantic Alliance and its present situation demonstrate. The increased strategic importance of Italy, because of the growing confrontation in the Mediterranean and of the reduced Greek commitment (even if the need of Italian bases for Nato was highly exaggerated), will only dramatize this.

Thus, as this article has tried to demonstrate, there is a complex interplay between the Italian domestic scene and Italy's membership in the European Community and the Atlantic Alliance. The real problem is not *whether* but *how* to stay in these two institutions. This will depend, more than is commonly understood, on the evolution of European integration as well as on that of the Alliance. If the Community definitely evolves towards a weak inter-governmental structure and, at the same time, the Alliance moves towards a series of bilateral links centred in Washington, this will not help the survival of Italian institutions. The hierarchy of the European countries will become more evident and more rigid. Italy is well aware of being at the bottom of the league. But the destiny of Europe may be more common that the mould of conventional national prejudice enables us to perceive.

Western technology and the Soviet economy

MICHAEL SIMMONS

The role assigned to Western technology in current Soviet economic strategy has arguably led Moscow to a tactical modification of ideological priorities.

THERE has been a subtle difference of emphasis between the approac[h to] the world adopted by the General Secretary of the Soviet Commu[nist] Party, Leonid Brezhnev, and that of his effervescent predecessor, Ni[kita] Khrushchev. Khrushchev was always the competing Communist with [an] occasional conciliatory touch; Brezhnev, on the other hand, has sho[wn] himself a conciliatory Communist abroad, but one well aware of [the] ideological competitiveness underlying the 'peaceful coexistence' tha[t he] preaches.

Much of his basic thinking became clear at the 24th Party Congre[ss in] 1971, when he made one of the most important and thorough-go[ing] speeches of his career. In it he enunciated his six-point 'peace p[ro]gramme'—a rather naïve but to the outside world tactically useful g[...]

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his *Westpolitik*, or détente policies, which took proper shape and led to uch diplomatic activity in the following months and years. In the same eech Brezhnev also declared that questions of economic management the Soviet Union had acquired 'a special urgency'; that the weakest iks between research and production were those relating to the practi- l realization, in mass production terms, of (very costly) scientific hievements. He argued that factory managers should be compelled 'to anufacture the latest types of products, to literally chase after scientific d technological innovation, and not shy away from it, as the devil does om holy water'.

In the four years since that speech crystallized the Soviet leader's termination to be involved personally in both détente and in economic anagement, the Russians have embarked on some of the most significant scussions aiming to create the right atmosphere of 'peaceful coexist- ce' for the acquisition of advanced Western technology. Whether by y of the ponderous protocol of inter-governmental agreement, or by y of the more easily arranged State Committee for Science and Tech- logy agreements with individual companies, the appropriate quasi- plomatic procedure now exists for Soviet importers to buy, at attractive erest rates, all the technology they can lay their hands on in all the vanced countries with which they are on speaking terms. This includes e United States, with whom, despite the cancelling of the 1972 Trade reement, top-level bi-lateral economic talks are still being carried on, parently at the covert insistence of both sides, as well as West Germany, spite some baulking by Chancellor Schmidt at 'cheap' credit terms, ance, Italy, and Britain. Progress in relations with Japan, with whom oint 'co-operation' commission was set up nearly ten years ago, has en slower—partly because the Russians will not deliver over the longer m the substantial quantities of oil that Japan would like in return for technology; partly because bi-lateral relations have been over- dowed by a failure to secure agreed peace treaty terms (the Kuriles nds, taken by the Russians from Japan at the end of the war, being chief bone of contention); and partly because Japan now seems to be ng more to China.

rced flexibility

e net result is a sort of 'capitalist encirclement' very different from imagined by Stalin. For, however intransigent and inflexible Soviet ides appear in some foreign policy matters, in economic terms it is clear that the Russians are manifestly incapable of 'burying the ' under their own steam: flexibility must willy-nilly become the of the day if, in many sensitive sectors, their economy is to make esired headway. It has recently been estimated that nearly 40 per of Soviet cement is produced at works using imported plant; that a

third of the country's beer is brewed in imported breweries; that a thr of the sugar beet crop is refined with imported equipment; and th around 50 m. pairs of shoes a year could be made on imported equipme Not all the equipment referred to, of course, came from the West, b probably a substantial proportion. While imports of Western plant a equipment came to more than $4,000 m. in the period 1955–1968, th are now approaching that figure in a single year, largely as an indir result of détente. According to Dr Philip Hanson, of the Centre Russian and East European Studies at Birmingham University, mach ery and technological know-how represent nearly two-fifths of all Sov spending on Western goods.[1]

The rationale for this state of affairs is, happily for the worried id logical purists in Gosplan or the State Committee for Science and Te nology, to be found in Lenin. Asked by a journalist, towards the en 1919, what he thought was the 'basis for peace' with America, Vladi Ilych replied: 'Let the Americans leave us alone. We shall not touch th We are even ready to pay them in gold for any machinery, tools, useful to our transport and industries. We are ready to pay not onl gold, but in raw materials, too.'[2] And to a Chicago journalist, at al the same time, he stated: 'We are decidedly for an economic un standing with America– with all countries, but especially with Amer an after-dinner quote used with predictable regularity by all cu Soviet trade negotiators, including Brezhnev himself at last Octo Kremlin party for the US-USSR Trade and Economic Council. Sim ly, at the opening of the European security conference deliberatio Helsinki in the summer of 1973, Andrei Gromyko, the Soviet For Minister, somewhat ambiguously emphasized to delegates that Soviet Union wanted 'unrestricted business relations with capi countries'.

In the bargaining that now takes place over contract terms, the level of world commodity prices has proved a bonanza that eve Politburo can hardly have expected and has probably cancelled out deleterious effects of Western inflation. The world prices of and de for gold, diamonds, and oil as well as copper, nickel, and other r have produced an income, or a potential income, enabling the Ru to help service recent trade debts and to buy—for promptly paid c more technology and know-how than ever before, in order someti exploit further deposits of some of these same commodities. The s for fresh deposits is maintained under constant pressure; it has estimated that Siberia has some 75 per cent of the country's h industrial coal reserves, 80 per cent of its natural gas, and about th

[1] See his 'External influences on the Soviet economy since the mid- import of Western technology', CREES Discussion Paper No. 7.

[2] Lenin's Collected Works (London: Lawrence and Wishart, 1965) v p. 365.

he more important non-ferrous metals and of hydro-electric power—ay nothing of oil and timber. The most intractable difficulty will be rcoming natural obstacles to get at these resources. The extracting ts, let alone the transport costs to the end-user or foreign buyer, are ormous.

mission of shortcomings

There is a disarming candour about the determination of the Russians st concerned to step up their purchases of Western technology, and in way they justify these purchases. In the wake of the 1972 Moscow nmit, when Occidental Petroleum was planning mammoth co-eration agreements, a Soviet natural gas industry official told an erican reporter: 'We are probably two to four years behind where we uld be to meet our gas needs in the 1980s. But we believe that with estern technology we can catch up.'[3] Even Gosplan, through the rnal *Planovoye Khozyaistvo*, acknowledged last year that the use of eign technology through the purchase of licences was to be 'substanlly increased', not least because it was a way of speeding up the comssioning of new plant.[4] And in the January 1975 issue of *Vneshnyaya rgovlya*, the first Deputy Foreign Trade Minister, I. Semichastnov, d: 'The Soviet Union is interested in promoting this new form of co-eration [with the West] as it helps speed up the development of natural ources in some parts of the country and makes for higher growth rates certain economic sectors.'

While the old arguments for complete economic self-sufficiency are w virtually no longer heard, joint ventures, in the sense of joint investnt with a Western partner in a project and joint management of a tory or works, are still not on for the foreseeable future. However, n that could eventually come if the present limited co-operation tures fail, in the eyes of the relevant economic strategists, to achieve desired ends. There is bound to be joint decision-taking, because of size of the funds involved. At any rate, the notion advanced last year the Oil Minister, Mr Shashin, that foreign participation was not ded and Moscow's men could manage without Western assistance be disregarded for the time being as an example of an official speaking of turn. He has since taken the diametrically opposed view, and the vailing official attitude now is that science 'has outgrown national ndaries'.

ut although there have been quite a number of statements by Soviet ers in recent years touching on the theme of Western technology, it rezhnev's above-mentioned speech to the 24th Party Congress that be seen as a watershed. Until about 1971, speeches and party pro-

Baltimore Sun, 6 June 1972.
See editorial in issue no. 11, 1974, p. 6.

nouncements on economic management throughout the Comecon a clearly laid the stress on the need to achieve faster technological prog on one's own. 'The struggle,' Brezhnev told the world Commun 'summit' in 1969, 'will be long and difficult.' One of the main reaso for this is that Soviet managers, as frequent criticism from the leadersh has indicated, often remain incapable of departing from quantitati norms, both of output and organizational thinking.

However, after the 24th Soviet Party congress, even the sluggard were in luck. When détente appeared to take off, followed gradually b the rise in commodity prices, Western traders and purveyors of sough after technology showed increasing eagerness to get a hearing in Mosco As the appetite quickened to buy and, where possible, to sell, it seeme to become irrelevant whether the technology or the technologicall produced imports were 'covering up' well-known qualitative shor comings in the factories of the Soviet Union and of her East Europe allies. Movements of machinery within the Comecon area have slow perceptibly in recent years and there have been Soviet criticisms of E European consumer goods, with regard to delivery dates, etc. It w therefore hardly surprising that, within a few days of Mr Wilson's retu from Moscow in February, orders were placed for £300,000 worth Lancashire-made overcoats, and for £500,000 worth of Norvic shoes a boots. Likewise, within a few weeks of the ostensible breakdown January of Soviet–US trade relations, a very substantial order was plac with a New York-based company for machinery to make artificial f

More usually, however, the technology in question seems to be i ported into those areas in the economy where there is a more ac shortage of labour than elsewhere or where the productivity is poor (a the Russians *know* their productivity record compares unfavourably w that of the more 'technologized' Americans); where Soviet technolo does not exist or is in short supply; where the construction, shipping, commissioning procedures may be painfully slow, or ill-co-ordina or both; or where the end product is badly needed. Talks are curre being held with a big American computer company for the construct of an entire computer factory (in some elctronics areas, the technolog 'gap' between the Soviet Union and the West remains a matter of yea with American, British, and other oil companies for assistance in worl fuel deposits mostly in the Far East, or the Far North, where So workers are notoriously reluctant to go. In parts of Siberia, for insta the above-quoted thoughts of Lenin on swapping raw materials for dustrial know-how ('compensation deals' are a popular theme Soviet importers today) have coincided with those of the more adven ous Japanese. The co-operation, however, has only worked when di macy has not been presenting problems and the prospective partners thought that they saw eye-to-eye on the so-called 'mutual advanta

ı recent years more than ever before, Soviet planners have had to
v the needs of the consumer to have equal priority with the persistent
s of heavy industry. In this context one might ask what would have
the current state of the Soviet man-made fibres industry if Britain,
r search for export markets, had not been offering the right plant and
·sses at the appropriate time? In some areas, Soviet progress 'on its
has been unconscionably slow, or implicitly unsatisfactory, and
fore Western help is being sought. Thus, an entire nuclear plant
een lately ordered from West Germany, as have a series of chemical
s from Italy, coal-sorting equipment from Japan and Britain, and
ıy equipment for the new Trans-Siberian line from the United
s. The urgent need for more lorries on Soviet roads has brought US,
ıan, French, Italian, Scandinavian, and Japanese processes to the
ı River site: and it is pertinent to ask how long the current slow
amme from conception to line production would have taken with
· Soviet technology or, indeed, where the viable, exportable Soviet
y car would have been without Fiat.

metimes, of course, the imported plant meets an unexpected fate,
ne which shows a glimpse of the anomalies that pervade the Soviet
trial scene. One British exporter is able to tell how not long ago he
delivered, and was paid for, the plant and process for producing a
sophisticated chemical: a year after delivery, the plant was rusting
cking cases that were now falling apart on a deserted construction
\ second British exporter, in engineering, sent off a substantial con-
ıent of precision tools, received urgent enquiries by the Russians as
·ir whereabouts, only to learn that they had been standing in an East
pean railway siding close to the Soviet frontier for nearly a year—
;h even that didn't stop the remonstrances. A third manufacturer of
tific instruments said that his entire display was bought up at
ow's International Exhibition for Public Health last May—much to
ıagrin of those Russian hospital workers who told him they needed
ıstruments but would never see them, as 'academic institute' re-
hers would take them for their own cloistered work, while the hospi-
·ould have to make do with inferior Soviet-made instruments.

ıumber of reasons clearly lie behind the steadily growing Soviet en-
ısm for Western technology in the 14 years since the setting up of
ısintorg, the licence trading organization. At present there are nearly
technological agreements in force with US companies, though the
number of licences purchased from the West runs into hundreds.
ı's a more intriguing question concerns the amount of articulate
sition to such imports at the highest level—where, in the light of
t economic management decrees, these decisions are increasingly
. Presumably, the opposition comes mainly from the older, conser-
:-minded Communist Party die-hards. But, in addition, there seem

to be acute rivalries over allocations. Brezhnev himself warned in a ma speech at Kishinev last October that, whatever the national income fr exported commodities and whatever the West's credit terms, the inv ment fund was not without limits. He was constantly arbitrating, indicated, among those in Government departments and at lower l who wanted to install new plant (and obviously the most prestigious efficient they could obtain) and sorting out those who would clearly h to make do with re-furbishing their existing plant. The haggling betw ministries for preferential investment treatment can be taken for gran it is estimated that they are catering for the needs of some 200,000 in trial enterprises—operating at widely varying levels of efficiency, often under conservative managements using obsolescent, or obso equipment.

Opposition due to a kind of economic nationalism was reflected example, when Massey–Ferguson–Perkins was on the point of clinc its huge deal with Poland last year for equipment and know-how to duce Eastern Europe's next generation of tractors. The oppositi Warsaw was such that the matter was actually raised in the Polish P. ment by members vainly determined to stick to Czechoslovak and P rather than Western, engineering methods. It is reasonable to as that the same kind of argument goes on behind closed doors in Mo

ote of the month

TWEEN RENEGOTIATION AND REFERENDUM

E UK Government's recommendation to vote 'yes' in the coming ·rendum has evoked varying emotions though little surprise. Care is be-taken not to make excessive claims for the success of the renegotiation, ich might make it look as if the whole operation had been easy or its ılt a foregone conclusion. But given the commitment of the Labour ernment and Party in 1967 to the basic principle that the desirability dherence hinges upon 'the terms', almost any improvement in the ditions of membership could have offered the opportunity for a 'yes' ommendation.

n practice, circumstances have favoured the renegotiators. 'Costs' of mbership in areas subject to renegotiation have been less than even imists expected, and the broader situation has shifted attention away n the issues most prominent at the time of entry and made member- more attractive. Critics of the renegotiations from the pro-market seem anxious to claim that they could have done as well or better er than to argue that the enterprise has been a failure, or should not e been attempted.

he costs have fallen into three areas, in ascending order of importance: net budget payment; the food price effects of the CAP; and the trad-and balance-of-payments effects of membership. The first two have n less than the keenest 'pros' might have feared. Both have been ed by the scale of Britain's problems in the third area, of the pay-balance with the Community. But the relationship of this problem ain's progressive integration into the customs union and the effects Community as a centre of investment are complex and disputed.

first two issues—the budget and the CAP—have been central to negotiations, as to the original entry negotiations. The unexpectedly evel of world food prices has resulted simultaneously in a smaller ommunity budget with a smaller net British transfer, and a lesser d pressure on British food prices than could have been foreseen.

important point in the budgetary settlement is that the principle of ling a proportion of the actual foreign-exchange cost of member-.e. the *net* loss, has been established, and to that extent the fiction Community as a single fiscal unit analogous to a nation state has breached. A balancing principle has been maintained by limiting

refunds to the total of the VAT or national contribution liability, i.e excluding customs and levies. This seems a dangerous limitation Britain, given that our expected disproportionate gross contribu arises precisely from the exceptional British commitment to customs levies on non-Community imports. However, now that the princip refunding part of a net deficit has been conceded, it is hardly concei that any heavy burden will be tolerated in future, even allowing fo probability that it will be increased at a stroke by revaluation of the of account. The budget balance, which once looked like becomin major instrument through which Britain's extra-European comm links were penalized and progressively extinguished, has shrunk small-scale problem in relation to total public expenditure, and t movement of the balance of payments.

On the other difficult renegotiating point, the CAP, the Govern have had to rely very largely on the existing slow and piecemeal towards reform. They have been helped by the new world market tion which highlights the merits of self-sufficiency, security of sup and price stability. Within the Community at least the scene has be for change by the fragmentation of the common agricultural m through changing or floating parities, and by a general readine reform, in particular among the Germans. In addition, it has been ally argued that not only have Community prices been competitiv world markets, but that Britain has actually received at some times a some products a measure of subsidization of her food imports th the effects of the monetary and accessionary compensatory am Moreover, there have been the special cases of the Community su to sugar imports, and the social subsidies for butter and beef.

For the remaining items of commitment to renegotiation in th document, the Labour manifesto of February 1974, the Governme to point not so much to specific arrangements renegotiated as general development of the Community. Extra-European trade ha dealt with by the arrangements for New Zealand dairy produce m the Dublin summit in March, by the Lomé Convention, and by improvements in the Community generalized preference sche particular in relation to Asian countries, for which the conseque enlargement have been least satisfactory. EMU has been declared duck, so far as Britain is concerned, and European Union still m VAT harmonization is likewise not a realistic prospect. On the ren issues, the Government has produced no renegotiated agreeme simply announced that, apart from certain problems relating t there are no real difficulties in following a national course withir munity law, in retaining control over capital movements, and in pu Labour's chosen policies for regional and industrial assistance a tended public participation and ownership. EMU and European

ve been reaffirmed as objectives by the Community heads of govern-ent but, like complete and general disarmament, they are not to be ken seriously.

The Government, then, having entered renegotiation in the character-tic anti-marketeer style of treating Community texts as if they actually eant what they say, have emerged almost completely accepting the ually characteristic pro-Market attitude that this is not so. Further-ore, public discussion of the effects of membership suggests that these ve been, and are likely to remain, too slight to be detectable.

The electorate may well remain confused if confronted simply with e twin propositions that the decision on membership is a) the biggest peace-time in their lives and b) will make no noticeable difference to ything of importance. However, the referendum choice clearly does t rest on any transmutation of unacceptable into acceptable terms, and en membership itself is an issue that fires passions not so much for its n sake as because of the opposing political values evoked.

Traditionally the dispute over British membership, in economic ns, lay between those who sought a free trade area in Western Europe, ing unimpeded Britain's trading pattern elsewhere, and those who e ready, for the sake of free trade in Western Europe, to accept the nmunity customs union, with its preferential and, in agriculture at t, protectionist bias. By the time of British entry, the decline in tariff ls and erosion of Commonwealth preferences over the years had in case reduced this choice to relative unimportance compared with iange-rate movements and other factors affecting the terms of trade. low, however, experience of a massive balance-of-trade deficit i the Community has called in question whether West European free e is in fact such an unambiguous gain for Britain as has hitherto been imed on both sides of the Common Market argument. It can be ied that this deficit is not in fact due to the mutual tariff dismantling i the Six—customs now stand at only 40 per cent of their 1972 level—to fortuitous shortfalls in Britain's ability to supply her home demand, idirect fuel cost effects, to the sinking of sterling, and to trade diver-i to cheaper Community sources, particularly for food.

ut these exculpatory arguments can go only part of the way to weaken force of feeling that Britain's situation should be tackled not by ing changes in the trading environment but by national policies. On left, this could mean import controls, which have recently acquired wed respectability, combined with a strong emphasis on state parti-tion and ownership in industry. On the right, a national alternative cy might mean for many (not all) anti-marketeers monetarist sures of meeting inflation by restricting the money supply and a still e drastic, 'clean' downward float of the pound. This, of course, is e different from the programme of the left, but shares with it the

[illegible] feature has basically m[illegible] [illegible] of these measures could be 'perm[illegible] [illegible] within the Community [illegible] including import[illegible] [illegible] experience. However, it is not [illegible] [illegible] upon a particular course of policy merely [illegible] that the Community rules will temporarily allow it or, at [illegible] 'get round' in practice.

There is also a certain difficulty [illegible] [illegible] British, since the rules of a particular game [illegible] [illegible] parties with maximum advantage [illegible] [illegible] rules are not broken. There is little [illegible] breaking by private parties [illegible] [illegible] state. This attitude [illegible] fully [illegible] British law courts makes it diffic[illegible] of practical administration, for the [illegible] [illegible] siderable sections of Community law [illegible] both major and minor matters which the [illegible] to be taken seriously. For this British mentality, [illegible] the Commission does not 'in practice' use its [illegible] certain governmental aids to industry is not suffic[illegible] course, there is also a strong tendency for 'antis' [illegible] and to minimise the powers of the Community and the [illegible] letter of Community law.

The referendum, then, is British political theatre. Both the 'yes' [illegible] 'no' camps include creative and negative elements. The creative 'yes' [illegible] 'no' share the confidence that some kind of rational control over Brita[illegible] national problems is possible. The small minority of militant 'Europea[illegible] have more in common, in their view of the Community as a potentia[illegible] much stronger structure, with the larger minority of militant 'nos', w[illegible] fear precisely this, than with the more bland official 'yes' position of [illegible] Government, the CBI, and the main weight of established opini[illegible] Perhaps the keynote in common among the creative elements on eith[illegible] side is confidence: among the 'pros' that what is of value in Britain's dis[illegible] tinctive political and social inheritance can be preserved in the Commun[illegible] ity framework, and even extended—this is likely to concern particular[illegible] strong 'pros' on the left, who look to a strengthened Community go[illegible] beyond its previous reliance mainly on freeing competition; amo[illegible] 'antis' confidence that a separate assertion of political will to con[illegible] events is possible. Less encouraging but probably stronger are the co[illegible] servative elements on each side: on one, tepid and apathetic acceptance [illegible] the Community as what Bagehot might have termed a 'dignified' fa[illegible] the international scene; on the other, xenophobic prejudice and a co[illegible] placent, self-defeating overestimation of Britain's political and so[illegible] achievements.

SIMON Z. YOU[illegible]

the changing international

ns for British policy

WALLACE

Chatham House Study Group, concerned that the leading up to the first referendum in British history not simply cover the same ground as in 1971, examined ignificant changes in the wider international environment Britain joined the European Community. In addition to Institute's Director and Director of Studies, Andrew onfield and Ian Smart, the members of the Study Group re Brian Johnson, Robert McKenzie, Robert Stephens, Villiam Wallace, and David Worswick. Dr Wallace, who wrote he essay published below, acknowledges his indebtedness to the discussions of the Study Group, but takes sole responsibility for the views expressed in it.

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generals habitually refight the last war, politicians have a tendency hearse the last debate. In the three years since the successful con-n of Britain's third attempt to join the European Community a deal has changed in the international system, within Europe as well side. The central issues of intergovernmental relations have them-subtly altered, defined now more often in economic than in security , but with economic discussions themselves more directly concerned the underlying political dimensions and with the security and ty of supplies and prices. Yet the debate in Britain over whether or ie country would do better to stay in or leave the European Com-y still revolves to a remarkable degree around the issues which were sed in 1971–2, in 1966–7 or even in 1961–2: sovereignty versus ation, the uniqueness of the European Community, the 'inward-ig' attitude of continental Europe towards the developing countries, ed to protect Britain's access to our traditional suppliers of food and aterials, and Britain's right to manage her own economy. Some of themes are still directly relevant to the renewed debate. But others

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were already to a degree outdated by international developmen 1971–2, while new and different issues have risen to importance. purpose of this article, and of the Chatham House Study Group dis sions on which it draws, is to assess the extent to which such internati developments have transformed the issues which now face Britain, to suggest some of their implications for British policy.

The impact of the interconnected crises in the international energy agricultural markets and in the international monetary system is r immediately striking. The roots of each of these stretch back well be 1972; but it has been since then that their effect on national governm and on international relations has been most strongly felt. Temporari permanently—it is not yet easy to say which—the supplies of cheap en from Middle East oil, which fuelled the economies of the indus world, have become both insecure and expensive. Temporarily or manently, Britain's reliance on cheap food from a plentiful internati market has been transformed into a dependence on costly imports in ditions of shortage. International exchange rates, unstable since the 1960s, have failed to maintain the intended new basis for stability ag in Washington in December 1971. The significance of these deve ments for Britain is therefore examined at length below.

The earlier debates on Britain's entry paid much attention to 'inward-looking' nature of the Community, the limitations of her r tionship with the associated states of francophone Africa and with Mediterranean countries, and the need to imbue continental Europe what was seen as Britain's more 'internationalist' approach. In the ne tiations which led up to British entry in January 1973, the interests of African, Asian, and Australasian members of the Commonwealth v stressed, and conditions agreed for more open access for their prod to Community markets. Since then the less developed countries, as m as the industrialized world, have been deeply affected by the rise ir prices, by agricultural shortage, and by economic and monetary un tainties. The European Community, meanwhile, has been engaged series of related negotiations: on a new type of relationship with what now conventionally labelled the ACP (African, Caribbean, and Pac countries, culminating in the Lomé Convention of February 1975, on Generalised System of Preferences, on emergency assistance and f aid, and on relations with the South Asian countries. The develop countries themselves have become more self-confident in their demat and more political in their orientation towards relations with the de loped world. It will also be helpful to examine the implications of th changes for Britain and for British policy.

In contrast, the international political environment has remained least on the surface, more stable. Détente between the United States the Soviet Union has survived differences over the Middle East (

ither Middle East war), has survived also disappointment with slow gress towards further agreements on the limitation of strategic ipons, the Watergate affair and the resignation of President Nixon, the kson amendment to the US Trade Agreement Act and the consequent viet denunciation of the agreement. American relations with Western rope have continued to combine conflict and co-operation, with fears of ierican loss of commitment or military withdrawal proving unfounded. e effect of the energy crisis, with its consequences for a changing ance of influence in the Middle East and for more central rôles for the ib states and Iran in global politics, has as yet only begun to work ough to the global political level. The enlargement of the Community itself brought changes, in the reorientation of the Commonwealth intries to a relationship with Europe as a whole, in the strengthening he European Community's standing in international discussions, and the adjustment of the Scandinavian states—and of the Soviet Union l Eastern Europe—to their changed relations with the enlarged mmunity.

The Community itself has also changed, both in its institutional struce and in the tenor of many of its policies. The satisfaction of the mem- governments with their experience of political consultation, within framework of the Political Committee set up alongside the existing mmunity in 1970, and the progressive weakening of the original comtment to build a supranational Europe, have made the Community ch more like an alternative intergovernmental framework to those ernational organizations which operate at the Atlantic or the global el than a qualitatively different type of enterprise. The goal of economic l monetary union by 1980 has been abandoned; the future of the mmon Agricultural Policy is under discussion. The Social Action gramme has sketched out the shape of a positive social policy, some ts of which are already under way. The liberal economic ideology ich suffused so many of the Community's measures in its early years, which has been most evident in its attempts to remove barriers to free ration of the market by extensive harmonization of standards, has n replaced by an awareness of the need for more positive management planning. To some extent, therefore, the Community which we are v discussing is a different kind of institution from that which Britain ed in 1971–2—partly because of the shocks inflicted by wider interional crises, partly because of the different balance of interests within enlarged Community, and partly because of the influence which such nber governments as Britain and Germany have exerted to change nmunity priorities.

n underlying trend, established long before Britain joined the Comnity, but reinforced since then, has been towards increasing interernmental consultation and co-operation at a number of different

levels, within a number of different global and regional international organizations. The response of the international community to the crisis it has faced during the past two years has been to turn to ever more frequent discussions within the International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD), and the various UN agencies, in an attempt to agree a collaborative response to common problems. In some cases, new international organizations have been created, such as the International Energy Agency, established in November 1974. The common recognition, by developed and less developed states, that 'the interdependence of the world's economies has now reached such an advanced stage that no one group of countries, let alone one country, can hope to solve its problems in isolation from the rest of the world'[1] suggests that such co-operation is likely to continue. Though the parallel recognition by groups of states that they can better their position in the international economy by concerted action suggests that relations will often be stormy, that intergovernmental bargaining for economic (and political) advantage will become yet more explicit, and that collaboration will be easier to achieve on a regional basis among like-minded states (on the basis of blocs) than at the global level.

The choice for Britain, then, is not between sovereignty and integration so much as between one form of interdependence and another. The European Community offers one institutional response to the need to manage interdependence, both more closely defined (in terms of structure and rules) and more limited (in terms of membership) than the OECD or the various global organizations. We need therefore to consider the advantages and disadvantages of the Community as a framework for intergovernmental co-operation, as against the looser and wider framework within which Britain would operate outside the Community. The Community itself is for many purposes too small an entity for the effective management of economic or political problems, which are necessarily therefore discussed and decided on a wider basis; but the Community provides possibilities for the positive exertion of British influence on the development of international policy which no longer exist for Britain independently at the global or even the Atlantic level. The desirability of finding partners with whom to co-operate within the wider international system is increased by the trend towards a more regionally-organized world: with the United States preferring to deal with a small number of protagonists—the leaders of economic 'blocs' or the key countries of each region—and the oil producers or the less developed countries attempting to strengthen their bargaining positions by combining into groups. Less consciously, perhaps, the international economy has begun to exhibit some signs of regional economic dependence, with the Far Eastern countries grouped economically around Japan, with the increasing weight

[1] See Sheikh Ahmed Zaki Yamani, *The World Today*, November 1974, p. 4

Vest Germany in Western Europe, and with the established predomi-ance of the United States in the Americas. If Britain needs partners, the uestion must be posed whether her best interests lie in an acceptance of close association with Germany and continental Europe, in an attempt › reinforce her links with the United States, in a revival of Efta and a ·liance on ties with the Scandinavian countries, or in seeking to build (if .. were possible) a community of interest with the countries of Eastern Europe or with other potential partners outside the North Atlantic area.

'Pro-marketeers' argue that Britain clearly needs partners, and that the other members of the European Community are the only compatible and influential set of partners available. They hold that American economic and political interests are now more often divergent from those of Britain than are the interests of the Community countries; and, furthermore, that Britain can no longer on her own exert any significant influence over American policy. They doubt the viability or the international influence of a Scandinavian alternative, which would at best exist in the shadow of the continental European countries; they see no other alternatives, in a world where Commonwealth countries have become more closely aligned with their own neighbours and where Britain's economic and political weight is no longer compelling. In an increasingly unstable international economy, they see the Community as offering Britain security of supplies of food at stable prices, and similarly secure and stable markets for her products—the sort of framework, that is, that the government of an urban d industrial society requires to satisfy the needs of its electorate and to n its economy on a long-term basis. Their opponents question the need · such a constraining framework. They deny that Britain outside the mmunity would lose influence over its member governments, and see r regaining a valuable freedom of manœuvre in international discus-ns through a more independent relationship with the United States, h the Scandinavian Governments, and with the countries of the mmonwealth. They are less concerned about security of supplies and ble prices, and believe that Britain will benefit more from relying upon rld markets and upon other suppliers, rather than restricting herself to rotected European market.

Both sides, perhaps, assume a greater degree of certainty for their case n the current international situation allows, letting their values carry m beyond what the evidence will support. In the early months of 1975, price of grains and commodities has been falling on world markets, l that of oil has shown some signs of moderating; but it is difficult yet letermine the long-term trend in a market where widespread recession he industrialized world has (one hopes temporarily) cut back demand beyond earlier expectations. Future relations between the United tes and Western Europe, between the oil producers and consumers, ween the developing world and the industrialized countries, must

depend to a considerable extent on what kind of international equili[brium] is re-established after the disturbances of the last two or three [years:] whether the world moves towards some new form of interna[tional] economic order, or reverts back to the situation of the 1960s. In e[ach of] the areas discussed below, the Community's own policies are a[t the] moment under examination and discussion—and their future evol[ution] will itself depend in part upon whether Britain remains a member[. No] clear and simple answer can be given to the question of where Brit[ain's] interests lie—no more in 1975, perhaps, than in 1971–2. But the situa[tion] in which the balance of advantage and disadvantage must be drawn u[p is] significantly different from that of three or four years ago. We need th[ere]fore to examine some of the elements of change, and what they sugg[est] about future trends, before attempting an overall assessment.

I. AGRICULTURE

In 1971 the prospects for international agriculture looked bright. Sever[al] years of good harvests, and the impact of the 'green revolution' brough[t] by hybrid grains and increased use of pesticides and fertilizers to developing countries, had replaced the pessimism of the mid-1960s with optimistic assessments that global food production could hope to keep pace with rising demand from developed countries and rising population in the developing world. World grain reserves appeared substantial, many food supplies were surplus to demand, world market prices were low. The European Community stood out as a high price area with a system of tariffs and levies which encouraged domestic over-production and distorted the pattern of agricultural trade. For Britain, it threatened to substitute new and high-cost suppliers for our traditional and cheaper sources of food in North America and the Commonwealth.

Since then, world agriculture has been through an acute crisis. In 197[2] bad weather simultaneously affected harvests in several major regions the Soviet Union, India, China, Australia, and South-East Asia. At the same time the dimensions of the Ethiopian famine and the consequences of the long drought in the Sahelian zone of West Africa were beginning to become apparent. For the first time in twenty years, world output of cereals fell—when rising demand and population required an average increase of 25 million tons a year in order to avoid shortages.[2] The Soviet Union came on to the world market to replenish her depleted stocks, buying almost three times the quantities of wheat and other food grains she had imported in the previous season, and reducing the exporting countries' reserves by nearly half. International wheat prices rose sharply from around $60 a metric ton in June 1972 to $106 in June 1973 and $21[...]

[2] UN World Food Conference, *Assessment of the World Food Situation*, November 1974, p. 18.

nuary 1974. Prices of other food grains rose similarly. In 1975
erican production rose, and the Russian crop recovered; but reserve
ks were not replenished, and programmes of food aid to the develop-
food-importing countries of Asia were reduced.
y 1974 the impact of oil-price rises had also begun to affect agri-
ure, through the rising cost of mechanized farming, of fertilizers and
ticides, and the declining ability of developing countries to pay for
m. Production of nitrogen fertilizers is heavily dependent on natural
and oil feedstocks, and on capital investment in large-scale chemical
nts; the energy crisis led to postponement of future investment and to
lecline in output, as well as a sharp rise in price. Exporters of natural
tilizers not unnaturally took advantage of market conditions to raise
ir prices sympathetically: the cost of phosphates, for instance, in
rld markets trebled between 1972 and 1974. The backwash of the
losion in grain prices (and of the accompanying speculation in market
ures) and of the quadrupled cost of oil and of oil-based products swept
r other commodities. The Caribbean sugar producers, attracted by
enormous prices offered on the American market, and faced with the
litional burden which oil imports now placed on their balance of pay-
nts, demanded a revision of their long-term contract with Britain and
erted supplies to the United States. In 1973 the US Government,
ich had for years championed freedom of international agricultural
de, imposed a temporary ban on soya bean exports, over the protests of
ropean and Japanese importers; in the following year it broke a number
contracts to supply wheat to the Soviet Union. Prices within the Euro-
n Community were now below rather than above world prices, and
port levies had been replaced by import subsidies and controls on
orts in an attempt to maintain price stability and sufficient supplies.
After moderate harvests in America and most other major regions,
ld agricultural prices were again falling in the early months of 1975.
ssian and Chinese contracts for American cereals had been cut, export
nand from other regions was low, and wheat, soya bean, maize, and
prices on the American market were down by between 15 and 25 per
t on the previous autumn. Given repeated good harvests in 1975 and
6, some observers argue that there is a chance that real prices could
p back towards the 1971 level, with the European Community re-
erging as a high-cost protected producer, and Britain—if still a
nber—cut off from access to low-cost suppliers. Others predict that,
griculture as in energy, real price levels are unlikely ever to revert to
ls comparable to those which prevailed in the 1960s. A number of
ected climatologists also argue that the world is now entering a colder
le, and that over the next thirty years changing patterns of rainfall and
ther will reduce cereal production in Canada and parts of Russia, and
l to recurrent failures of the Indian monsoon and of the rainy season

in parts of tropical Africa. Before we examine the evolution of the Common Agricultural Policy since British entry, and attempt to assess choices open to Britain, it is therefore necessary briefly to discuss longer-term background to the recent crisis.

Since the Second World War, food production has expanded at as a rate in the developing countries as in the developed world; but the of increase of population in the developing countries has been more t twice as large as in Europe and North America. Food production per h in the developing countries from 1961–3 was around a third that in industrialized world as a whole; in 1971–3 it was little more than quarter. At the same time, increasing affluence in these industrializ countries brought rising standards of consumption—including a stea increase in demand for meat, which in its turn increased demand for th feed grains used for fattening stock. The OECD's Development Assistance Committee's Report for 1974 observed that the direct and indirect *increase* in cereal consumption (per head) in the OECD countries and th USSR in the eight years up to 1973 almost equalled *total* cereal consumption in the developing countries in that year.[3] As a result, the pattern of international agricultural trade had shifted radically. In the immediate post-war years, Western Europe was the world's main cereal-importing region, absorbing over 75 per cent of net imports. By the early 1970s, the largest share of grain imports went to Asian countries, and the Soviet Union, Eastern Europe, and Japan had also emerged as significant importers in competition with Western Europe. The United States and Canada had, however, increased their dominance of the international market, as rising domestic demand had absorbed the surpluses of man other exporters. In 1974 the United States alone provided 60 per cent of the cereals traded internationally.[4] The agricultural crisis of 1972–4 therefore imposed itself on an already changing situation; it must be doubted whether the pattern either of prices or of trade will revert to what obtained before.

Political considerations and international deliberations have also intervened more directly in the market than before the crisis. Throughout the 1960s, the United States maintained the largest proportion of world food reserves as part of her domestic stocks, and at her own expense. The present US Administration is pressing for this burden to be shared in future among the major importing countries. The World Population Conference in Bucharest in August 1974 achieved little in an atmosphere of distrust and hostility between representatives of the developing world and of the OECD countries; the World Food Conference in Rome in November 1974, also sponsored by the United Nations, made rather

[3] OECD/DAC: *Development Co-operation*, 1974 Review, p. 21.

[4] Most world cereal production is, of course, consumed in the country where it is grown; only about 10 per cent enters international trade.

ore progress. Its gloomy projections of the growing imbalance between e food-deficit countries of Asia and Africa and the food surpluses of orth America and Australasia focused attention on the prime need to crease food production in the developing world; on the need to rebuild serves, on a global basis, and to construct mechanisms for stabilizing rices and markets. It is too soon to tell how successful any of these efforts ay be, or whether proposals for new international commodity agreements on a global scale will come to anything. In the short run, it is most cely that prices will continue to fall; but in the long run the continuing ed to supply the countries of southern Asia with food aid and imports a large scale, the maintenance of food reserves against regional crop ilures or famine, and increasing competition for imports among the gh-consumption industrialized countries, all point to the probability at demand will move ahead faster than supply. 'There seems every elihood that prices will remain much higher than in the past, even if hey settle somewhat below the record prices of the early months of 1974.'[5]

Within the European Community the Common Agricultural Policy has been deeply affected by these international developments. In retrospect, one can see that the 'classic' model of the CAP, as created between 1964 and 1967, only operated as its creators had intended for two or three years before currency changes began to distort common pricing mechanisms and rising inflation made governments begin to hesitate at its costs. The enlargement of the EEC from six to nine members forced further adjustments, and brought a major food importer into the Community. The orientation of the CAP towards producer interests roused protests from consumers, both against further increases in food prices and against the withdrawal of food from the market when prices fell and the dumping of the resulting surpluses abroad; the butter sale to Russia in 1973 attracted particular criticism. But it has been developments outside the Community which have had the greatest impact in the last two years. European farmers have been hit as much by the explosion of oil prices and the consequent rise in the cost of fertilizers and pesticides as those abroad; their production costs for beef, poultry, pork, and milk have all been adversely affected by the high price of imported feeding-stuffs and feed grains, on which they have come to depend. The beef market in Western Europe has been squeezed between the farmers' costs and the consumers' resistance to higher prices. The resulting beef surplus and agricultural crisis have encouraged all member governments to breach the principles of the CAP by introducing national aids to farmers and, in the case of the British Government, new subsidies to consumers.

British renegotiation demands have therefore blended with the dissatisfaction of other members—most of all the German Government,

[5] OECD/DAC: 1974 Review, p. 72.

which provides the largest contribution to the cost of the C
reconsideration of the priorities of Community policy. A
amounted to a German ultimatum in September 1974, the Co
and the Council embarked on what is cautiously described as
taking exercise'.[6] Even when this is completed, in May or June
however, unlikely that the outline of future policy on food and a
will be fully agreed. The EEC has now accepted that it cannot
own agricultural market as self-contained, with the internation
as a marginal source of imports and as a dumping ground for s
The long-term sugar agreement with the ACP producers is ev
this, as is the more positive attitude adopted by Community re
tives to global commodity agreements within the framework of t
lateral trade negotiations. It is also recognized that there must be
a more even balance between the interests of consumers and p
within the Community. But as yet little progress has been mad
long-awaited structural reforms, or on proposals to maintain the
of living of less efficient farmers by means other than the price
ism.

The advantages for Britain of the tighter European framewor
operation in food and agriculture, as against the looser structures
commodity agreements, are thus difficult to assess. The future s
Community policy will not become clear until well after the refe
decision: it is a matter of continuing negotiation, in which Britis
ests must be traded off against the several and divergent interest
other member governments. It is unlikely that the Communi
emerge with agreed prices much lower than their present Europe
—unless the acceptance of the principle of national consumer sub
in itself a major breach in the principles which originally govern
CAP, leads in time to a more widespread use of consumer subsidi
deficiency payments throughout the Community. What the Comn
has to offer Britain is security of supply and stability of prices,
probably short-term cost that prices inside the Community will
those on the world market at least as often as they fall below it.

The alternative, of reliance on the world market and of the purs
global commodity agreements, is more of a gamble. It is too soon
how successful attempts to stabilize prices within a multilateral fr
work may be; the range of conflicting interests which would have
reconciled suggests that agreement will not be easy to achieve wi
such agreements. Britain would necessarily be dependent above a
the productive capacity and policies of the United States, as the domi
supplier of cereals and as the largest market. Climatologists disagre

[6] See Trevor Parfitt, 'Keeping the CAP on', *The World Today*, March
The Commission submitted its report on 26 February 1975, but it has yet
discussed by the Council of Agricultural Ministers.

likelihood of frequent crop failures in South Asia or in Russia, with consequences which such failures have on global demand and global :rves.

'he network of bulk supply agreements which linked Britain to her nmonwealth suppliers has almost gone: the Commonwealth Sugar eement, the last of these, has itself collapsed under the strains of rising :es and contradictory interests, and might well prove difficult to ve. Britain is no longer the dominant importer that she was in some cultural markets after the Second World War. Tropical food proers are no longer interested in bilateral agreements, preferring to proand promote their interests jointly through multilateral arrangeits, either on the model of the stabilization agreements included in the né Convention or (more ambitiously) on the basis of global commodity 'ements tailored to producer interests, which some governments hope emerge from the next Unctad conference in 1976. Britain's atti- : to such a development, from outside the Community, must be iguous, her enlightened interest in redressing the terms of trade in ur of the poorer producer countries clashing with her pursuit of food plies at the cheapest price possible.

'he EEC offers Britain an existing framework for agricultural supply for the regulation of the market, with a set of policies which are not rely appropriate to the British situation: not quite an agricultural bloc, an area protected to a degree from the vagaries of world supply and iand. No other bloc exists in world agriculture to which Britain could ch herself. The Commonwealth countries (with the partial exception New Zealand) have found alternative markets at higher prices, the ted States is oriented towards a global perspective. It is not clear how ily organized the world market may prove to be in the next few years, ropical or in temperate products—whether a tangle of multilateral imodity agreements will emerge, or whether an open market with ely fluctuating prices is more likely. In the longer run, a Britain which ended on a world market without specific guarantees of supply would ie into competition with the soaring demand of the poor, food deficit ntries, caught between their rising populations and the unavoidably pace of their own efforts to improve agricultural production, and ted only by their inability to pay high prices for their food imports. attraction of Western Europe lies in its relatively stable population in its rising food production, offering Britain security of supply at a e which the British Government might play some part in determining. v attractive the alternative of a return to a policy of depending on the :wd purchase of cheap supplies in world markets might prove to be hinge upon two factors: the degree of openness of the market, and underlying trend of international prices. Both are a matter of judgeit.

II. ENERGY

It is evident that the international energy situation has been transfor in the last three or four years. In 1971–2 the oil-producing states of Middle East were still pressing the companies to increase production, companies were anticipating a sustained growth in industrial dema In real terms the price of oil had been declining throughout the six decisively undercutting such alternative sources of energy as coal a nuclear power. With production rising even faster than consumpti European governments anticipated a continuing buyers' market P gressively since 1970, and particularly since October 1973, the compan have been reduced from their central role of dominant suppliers and h become in that area little more than agencies of the producer gove ments. The f.o.b. price of the basic category of Gulf crude oil to Europe importers has risen from around $1.90 a barrel in September 1973 $7.15 by January 1974, and nearly $9.50 by the following Decemb The oil-producing governments demonstrated their ability to act toget to control the market, and to use their economic strength for politi ends; and the consumer governments, Britain among them, have s shown only a limited ability to co-operate in response.

Looking back, one can see that this rapid reversal of influence betwe producers and consumers had its roots in a number of separate ea developments, which came together under the stimulus of the Ar Israeli War of October 1973 to exacerbate what the Western world h begun to experience as 'the energy crisis'. Western Europe's depende on oil as a source of energy had risen from 28 per cent in 1960 to 58 p cent in 1970, while its coal industry had more than halved its contributi and its labour force, thus replacing an indigenous source of energy w one almost entirely imported. Hopes that nuclear energy would eme as a major new source of power, which had been high in the 1950s, w disappointed, both by setbacks in development and by its inability to co pete in cost with oil. The use of oil as a chemical feedstock, for plast paints, pesticides, and so on, had also expanded: by the early 19

Western Europe: Inland Energy Consumption

(Primary fuels consumption)

(percentages)

	1950	*1955*	*1960*	*1965*	*1970*
Oil	12	17	28	44	58
Natural gas	~	~	2	3	7
Solid fuels	85	79	66	49	31
Hydroelectricity	2	3	4	4	3
Nuclear electricity	—	—	~	~	1

Notes: ~ = less than 0·5 — = none or negligible

early 7 per cent of total oil consumption was represented by petrochemicals, and Western economies had come to depend on their products. The United States, both the world's largest producer and consumer of oil, became during the late 1960s rapidly more dependent on imports as domestic consumption rose; she started therefore to compete with European and Asian importers for oil supplies rather than acting as an alternative supplier in any emergency. In the ten years up to 1973 OECD countries' demand for oil grew by 7·5 per cent per annum. In spite of new discoveries in North America and Western Europe, their dependence for oil on imports from non-OECD countries had grown sharply, and was expected to increase further: from 64 per cent in 1972 to 69 per cent in 1980, and 74 per cent in 1985.[7]

The Organization of Petroleum Exporting Countries had attracted little attention from the governments of importing countries when it was formed in 1960, or even when in 1968 it issued a Statement of Objectives which included demands for revisions of concessions and equity participation in the producing companies, as well as revisions of price and tax rates. The quickening pace of inflation in the industrial countries in the late 1960s was turning the terms of trade further against the oil producers, as the price of their imports rose, making them more determined to redress the balance. The Libyan Government succeeded in imposing revised conditions on the oil companies operating there in 1970, closely followed by Iraq. In 1971 the Gulf Emirates negotiated a new prices agreement, and in 1972 made a collective move to impose agreements on progressive participation, leading to a controlling interest by 1982. The Arab-Israeli War of 1973, and the boycott, price rises, and expropriation which followed this, accelerated under crisis conditions a trend which was already under way– though its political and economic implications had not been recognized by most importing countries until the crisis forced it upon their attention.

Britain's energy position has of course been radically affected since 1971–2 not only by OPEC but also by North Sea oil. At the time of the Heath Government's negotiations for Community entry, the North Sea's oil potential remained a relatively unknown quantity, although natural gas was already being piped ashore. The first major British oilfield had been confirmed in 1971, and further exploration was under way. In December 1972 it was estimated that there were about 930 million tons of oil in the British sector (still moderate compared with Britain's 1972 consumption of 110 million tons). By December 1974 estimates had increased to 2,180 million tons. In comparison with Middle East oil, it was expensive. It required $4,000–$6,000 of investment to create each

[7] *The OECD Observer*, January/February 1975, p. 5. The United States and Canada were, until the North Sea discoveries, the only substantial oil producers within the OECD. The dependence of West European countries on imports for oil was almost total.

one barrel-per-day of production in the North Sea, as compared wi investment in each new barrel-per-day in the Gulf of \$200–\$250, an severity of the weather conditions encountered and delays in obtai equipment were increasing costs further. But it was under Britain's trol. It offers us the prospect of self-sufficiency in oil for some 15 yea more, once it is brought ashore, and makes Britain, after Norway, European country least dependent on Middle Eastern supplies. Bi will, however, continue to import some oil, and to export a ce amount, given the economic disadvantages of using only one typ crude in British refineries, and some recent estimates suggest that peak production during the 1980s Britain may still remain a net impo Net exports, on present estimates, look like being modest.

In spite of its absorption of the European Coal and Steel Commu and of Euratom, the European Community had failed throughout 1960s to develop any coherent policy on energy. It had provided assistance in the running-down of coal mining, but oil and nuclear had remained firmly under the control of national governments. The response to the crisis, at least of all the larger countries, was to pur series of bilateral arrangements with individual producers, in parti with Iran. It was left to the oil companies to distribute the reduced plies evenly among European countries—over the opposition of sev their governments. The European 'summit' meeting at Copenhage December 1973, was thrown into confusion by the arrival of repr tives of Arab oil producers pressing for talks on the Arab–Israeli co and oil supplies. The first efforts to find a common position a Atlantic level, in the Washington energy conference of February made only limited progress.

During the last nine months, however, the outlines of a common po have begun to emerge. The European Commission's memorandum June 1974, 'Towards a new Energy Policy Strategy for the Commu led to a series of discussions in the Council of Ministers. Revised posals in November included recommended targets for reducing demand, for stabilizing coal output and sharply expanding investm nuclear energy over a ten-year period, intended to reduce the munity's dependence on external supplies of oil from 63 per ce 45 per cent of its consumption of energy. The Council has discussed proposals, but as yet no detailed Community policy has been agreed

At the Atlantic level progress has been rather more substantial Washington conference had established a committee of senior offic from the 'Energy Consumers Group' to consider future arrangem under the chairmanship of M. Etienne Davignon, the political dire the Belgian Foreign Ministry (who had also chaired the committee had evolved the machinery for European political co-operation years earlier). Its recommendations led to the creation of a new Int

national Energy Agency (IEA) in 1974, the 16 founder members of which included all members of the European Community except France, as well as the United States, Canada, Japan, New Zealand, and Norway. The voting arrangements in this body have been carefully calculated to deny either to the United States or to the European Community countries a veto over its proposals. Decisions require half the member governments and 60 per cent of the weighted votes for a majority: no country has the right of veto.

Voting Weights in International Energy Agency

	General voting weights	*Oil consumption voting weights*	*Combined voting weights*
Austria	3	1	4
Belgium	3	2	5
Canada	3	5	8
Denmark	3	1	4
Germany	3	8	11
Ireland	3	0	3
Italy	3	6	9
Japan	3	15	18
Luxembourg	3	0	3
The Netherlands	3	2	5
Spain	3	2	5
Sweden	3	2	5
Switzerland	3	1	4
Turkey	3	1	4
United Kingdom	3	6	9
United States	3	48	51
Total	48	100	148

The OECD Observer, No. 73, January–February 1975

The IEA and the OECD (with which it is closely associated) have produced an ambitious 'International Energy Programme', covering the allocation of oil supplies among IEA members in any future emergency, increases in reserve stocks of oil, fuller provision of information on national energy policies and requirements among governments, multilateral consultation between oil companies and consumer governments, and long-term co-operation on the development and exploitation of alternative sources of energy. On the basis of this programme, the OECD estimates that its members' overall dependence on imported oil as a source of energy (including of course the United States) could decline from 35 per cent in 1972 to 20 per cent in 1985—unless the world price of

oil drops back again to a lower level. During the course of 1974 the a marked contraction in the world demand for oil, partly in respon rising prices, partly because of efforts at conservation, and partly be of economic recession in the consuming countries. Some OPEC gov ments have reduced production to avoid a new surplus of oil emerg but this has so far been insufficient to prevent a slight easing of the ma price, and in recent months there have been some signs that the G States, at least, might allow a moderate fall in prices.

The whole international energy situation, and Britain's position witl it, have thus altered radically since Britain joined the European Con munity. Yet the future of the international oil market, the structure co-operation among the industrial consuming countries, and the futu relationship between oil producers and consumers—a matter mu debated within the European Community and among Atlantic gover ments during the past year—all remain open. In a world of blocs, a Euro-Arab dialogue might lead to the establishment of a close relation ship between the Community and the Middle East, based on their com plementary economic interests, and offering an alternative to an Atlant orientation; but the dialogue has made little progress so far. It would easier to assess the balance of advantages for Britain if the British Gover ment had yet evolved a clear national policy for energy; but the rate North Sea extraction and the future of the nuclear power programme still undecided.

In spite of the promise of North Sea oil, it is unlikely that Britain woul do better from pursuing a completely independent energy policy tha from accepting the need for some form of multilateral international co operation. Unlike Norway, Britain will not become a significant export —unless further exploration in the Celtic Sea or the Channel approach uncovers major new fields. Production from the North Sea fields will cover Britain's needs until 1980 or even a little later; without major ne discoveries or a substantial reduction in demand through conservatio measures Britain will again become a net importer by the early 199 While we may hope to be independent in oil, the cost of research a development in nuclear power will still require Britain to choose amo potential collaborators. The British Government is linked with Netherlands and West Germany in the 'Urenco' uranium enrichm project; the duplication of research efforts in the nuclear field amo European governments has retarded progress and has helped to mainta the American lead.

The potential of nuclear power for providing a major contribution European energy needs is in any case still open to question. Initial hope of cheap and abundant energy have been repeatedly disappointed; tech nical failures have affected both American and European reactor pro grammes, and considerable doubts have been expressed about safet

'he long-term nature of any large-scale programme is likely therefore to icrease both the costs of development and the incentives for Britain to)llaborate with other governments.

Furthermore, British interests in the future direction of oil prices are nbivalent. In the short-term a reduction in price would ease the ıormous burden on the balance of payments, but at the cost of jeopar-zing hopes of an economic return from the enormous investment in the orth Sea fields. British production will never be a sufficiently significant :tor in the international oil market to have any effect on prevailing price vels, and the British economy is too interdependent with others to allow l-pricing policies at home to rise much above prices abroad. If OPEC :re to break up under the strain of maintaining a producers' cartel and e clash of interest between those states, such as Iran or Indonesia, ıich can easily absorb increasing oil revenue in financing their develop-ent programmes, and those, such as Libya, Saudi Arabia, or the Gulf ıirates, which have resources or populations too small to absorb addi-onal revenue, then Britain might find advantage in pursuing bilateral reements; but there is as yet little sign that the political or the economic lidarity of the oil producers, most of all of the Arab states, is funda-entally weakening.

The problems for Britain, here as elsewhere, therefore revolve around hich partners we prefer, which framework for international co-opera-on we see as appropriate, and what balance we seek to strike between erting influence over their governments' policies and preserving our n freedom of manœuvre. Here as elsewhere, much depends upon one's terpretation of the attitude of the United States, and of the compati-lity of US interests with those of Britain and of the continental Euro-an countries. The United States differs from all European countries cept Britain and Norway in that she is both an oil producer and con-mer and one that could again reduce her dependence on imported pplies to a marginal level, if substantial investments were made in con-ıvation and alternative sources of energy. Though the United States uld no longer supply Europe with oil in an emergency, American coal serves are the largest and the most easily extractable in the OECD, and merican expertise in nuclear power has much to offer Europe, if a major pansion in the nuclear power programme is to be pursued.

So far the United States Government has made common cause with the her industrial consumers in attempting to formulate a multilateral sponse to OPEC, and in discussions on the pooling of supplies and the omotion of alternative sources of energy. Potential divergences of terest do exist, however: in European resentment at the far higher *per pita* consumption of oil in America, which might disrupt attempts to ree on the distribution of supplies in an emergency, and in differences policy towards the Arab–Israeli conflict and towards relations with the

[illegible] differ, too, on the sort of 'floor' pric which the US and European governments would seek. Before any g ment invests major resources in nuclear energy, in marginal (that is cost) oil and gas fields and in new coal production, it will want to some assurance that the price of imported oil will not fall again to a which makes these uncompetitive. The United States, relying as she on imports for only 15 per cent of her energy, can tolerate a much hi floor price without damage to her balance of payments; continental Eu pean countries, which must continue to rely predominantly on impo would wish to see prices stabilized a good deal lower. As a relatively hig cost producer, Britain's interests here are rather closer to the U.S. than those of France or Germany.

The IEA and the European Community here offer complementar structures for intergovernmental co-operation. Both involve the accep tance of constraints on Britain's freedom of action; neither has yet evolved a set of policies definite enough to see how binding those constraints might be. So far the IEA has appeared to offer a more effective forum for the development of common policies than the EEC, perhaps above all because it includes the United States; the EEC, it might be argued, is too small a group, with too weak a grip on the oil market, to hope to exert any decisive influence. The IEA, on the other hand, is open to the charge of American dominance: that it is, as President Boumedienne has remarked (and as some continental Europeans suspect), 'a cover for the mobilization of United States power'.[8]

In what ways might a common European energy policy restrict Britain's control over her own energy supplies more severely than the IEA? There are two possibilities: first, the EEC might override national priorities on the rate of extraction of North Sea oil, for European ends; secondly, it might interfere with Britain's pricing policy to a greater extent than the IEA does. The first presupposes that it would be to Britain's advantage to extract her oil at less that the fastest possible rate, in order to prolong her position of independence from foreign supplies, and that this interest would clash with that of the continental countries in gaining access to a more secure source of supply. However, the need to recoup the enormous costs of developing the North Sea oil fields will itself exert a powerful pressure for the fastest possible rate of extraction, and the size of the fields so far discovered does not suggest that there will be any considerable surplus beyond Britain's own requirements—unless there should be a marked reduction in domestic consumption over the next ten years. The second possibility assumes that international energy prices remain high, and that Britain might wish to establish a domestic price for oil (and perhaps also for coal, since energy prices interrelate) below that at which she sold oil to foreign buyers. It is clear that the Treaty

[8] *The Times*, 5 March 1975.

ome would prohibit such two-tier pricing, if applied to other Community countries—though not with respect to third countries. How practical such a policy might be may, however, be doubted. Unless the oil-producing states push their prices a good deal further, North Sea oil is unlikely to prove cheaper than other sources of supply. Expansion of coal production in Britain is similarly a high-cost operation. It is not very likely that Britain would wish to subsidize her industry by supplying it with cheap oil below the level of world market prices. Supporters of British membership argue that a long-term energy policy within the European Community could help to ensure the stable prices needed to recoup the enormous resources sunk into developing the North Sea and into expanding coal production--and that here is the basis for a bargain of mutual advantage between Britain and the continental countries. But this must remain a matter for future negotiation. Opponents argue that the potential capability of the EEC to extend its control over indigenous British sources of energy represents a threat to British interests qualitatively different to the constraints accepted within the IEA.

North Sea oil does not therefore free Britain from the need to co-operate with foreign partners; neither in the immediate future, before the oil has reached full production, nor in the longer term. Britain, like most other industrial nations, has 'no choice but to adopt a policy of enhancing the security of supplies from developing exporters, within either a bilateral or a multilateral framework',[8] and of evolving with other importers common policies on conservation and energy investment, in an international energy market which is now dominated by government-to-government negotiations. It is the choice of partners and of policies for co-operation which is the crucial question.

III. THE INTERNATIONAL ECONOMY

The three years since the completion of British negotiations for entry into the European Community have been the most unsettled period for the international economy since the 1930s. The international monetary system, shaken by increasingly frequent exchange-rate changes since the late 1960s, has grown even more unstable. Inflation in the industrialized countries has been recognized as a common problem, without a common solution; not only Britain but the United States and most West European countries now face the prospect of continuing inflation under conditions of economic recession. The crises in energy and agriculture have sharply increased inflationary pressures, have disrupted the balance-of-payments equilibrium of most industrialized countries, and have shifted the whole basis of economic power away from the OECD states to the oil-producing

[8] Philip Connelly and Robert Perlman, *The Politics of Scarcity* (London: OUP for RIIA, 1975), p. 143.

[illegible] while, in the short term at least, the situation in energy and agriculture seems to be stabilizing, it is as yet [illegible] to feel optimistic that the international economy has begun to [illegible] balance. What has emerged, however, is a much more inten[illegible] of intergovernmental consultation and co-operation among the [illegible]ized countries, attempting to concert the management of [illegible] dependent economies and to mitigate the impact of external [illegible]ments upon the established economic structure of the industr[illegible]

The Smithsonian Agreement of December 1971 on the realig[nment of] currencies was seen at the time as establishing a new basis [for inter]national financial stability, after a period of heavy strains and [illegible] successive exchange-rate changes in Europe. The members of the [Euro]pean Community were sufficiently confident that stability [had re]turned to launch their delayed first move towards monetary [union in] March 1972, narrowing the band within which their currencies [could move] against each other in the 'snake within the tunnel'. [illegible] pound sterling in June 1972, a measure which the then Chancellor [of the] Exchequer described as purely temporary, and which was [illegible] governments as a means of allowing the pound to find a new level [illegible] Britain joined the European Community and the 'snake'. In the [first] months of 1973, however, the dollar came under renewed [illegible] pressure. An agreed dollar devaluation of 10 per cent, in [Febru]ary proved insufficient to re-establish stability, and in March the [members of] the snake jointly floated against the dollar—leaving Britain and [Ireland], as well as Italy, which had left the snake to float independently the [pre]vious month, inside the Community but outside its common mone[tary] arrangements.

To the inability of the major industrial countries to manage [the] currency markets must be added the increasingly articulate discontent [of] the developing countries at the dominance of the international mone[tary] system by a small group of rich countries, concerned (as develo[ping] countries saw it) to protect their established interests. The determina[tion] of future arrangements could no longer therefore be left to the Gro[up of] Ten. A wider Committee of Twenty was created within the Internat[ional] Monetary Fund, bringing into discussions on monetary reform a [illegible] political orientation. This made agreement no easier, and their [illegible] the 1973 annual meeting of the IMF (in September) did not reach [con]clusions.[10]

These discussions were in any case overtaken by the shock w[hich] successive rises in the oil price, from September 1973 onwards, admini[s]tered to the international monetary system. American Treasury estima[tes] of the investible surplus of OPEC members for the calendar year [illegible]

[10] See Sidney Weintraub, 'The Uncertainty of Monetary Reform,' *The [World] Today*, July 1974.

t to $60 billion, of which $21 billion had been deposited on a short-
basis on the Eurocurrency markets, and $7·5 billion had flowed (on
asis or another) into Britain. The additional oil burden to the British
nce of payments in 1974 has been estimated at $5·25 billion, that to
nce at $6·25 billion. Three major problems for the industrial coun-
s follow from this enormous shift in financial resources. First, the vast
ntity of additional funds on short-term deposit, potentially transfer-
e from one currency to another, has added to the difficulties of manag-
the international exchanges. Second, the flow of funds into the
mestic currencies of the industrialized countries has made domestic
onetary management more difficult, and, as they are converted into
ng-term investment, has raised fears of foreign domination of important
eas of banking and industry – so bringing home the political implica-
ons of the shift in economic power. Third, the burden of oil deficits has
ot affected all industrial consumers equally. Those countries, such as
ritain and Italy, which were already in economic difficulties have suf-
red an additional blow to their chances of recovery, whereas West
Germany, already in surplus, has been highly successful in maintaining
er export drive, and has been able to absorb the added costs without
irect damage to her own economy. One effect of this new financial bur-
len has therefore been to accentuate the differences between strong and
weak industrial economies.

Opinions differ on how long-term a problem the unabsorbed financial surplus accumulated by the oil producers may be.[11] Already after one year, the rise in exports to oil producers has absorbed a larger proportion of their additional income than was anticipated: Iran and other major producers have begun to develop extensive foreign-aid programmes, so recycling their own surpluses. But in the short term the need to manage the recirculation of 'petrodollars' has increased the intensity of consultation among central bankers and Treasury officials within the industrialized world. Alternative schemes for recycling were discussed at a series of meetings during 1974, which attempted to overcome the different reservations of the American and German governments. In January 1975 the Group of Ten finally agreed to adopt two schemes, one an enlargement of the 'Witteveen' facility within the IMF framework, providing up to 6 billion SDRs on differing terms to developing and to industrial countries, and the other the 'Kissinger' plan for a $25 billion fund to be managed by the OECD.

The further round of multilateral trade negotiations within the Gatt framework, which was foreshadowed in the American declaration of 1971, has been delayed, first by the difficulties which the US Administration

[11] See Otmar Emminger, 'The International Financial Markets and the Recycling of Petrodollars', and Fred Hirsch, 'The Oil-Financing Conundrum', *The World Today*, March 1975.

[illegible] Trade Act through Congress [illegible] by the time-consuming preliminaries of [illegible] the agend[a] [illegible] positions. President Ford signed the [illegible] European Community members [illegible] Janu[ary] [illegible] Negotiations are expected [illegible] position [illegible] total tariffs but also attempts [illegible] reducti[on] [illegible] agricultural [illegible] [illegible] have [illegible] the [illegible] Americ[an] [illegible] countries in favour of [illegible] for sugar [illegible] United States [illegible] industry [illegible] effect of higher import prices and [illegible] fear that the [illegible] economic depression. The determin[ation] [illegible] prevent the terms of trade [illegible] the management of international commerce [illegible] political questions have necessitated a [illegible] trial consumers. Awareness of the close [illegible] and economic policies of Western Europe and [illegible] active efforts by representatives of the [illegible] influence the determination of American and [illegible] policy in a reflationary direction, and by these [illegible] upon others stronger efforts to control domestic [illegible] on 1974, the Secretary-General of OECD has [illegible] predictions that

> the fragile edifice of economic co-operation am[ong] [illegible] countries would collapse in the face of the gravity [illegible] problems raised by the crisis. But the speedy re[action] [illegible] ments of our countries has enabled them to ward off th[e] [illegible] dangers and strengthen their solidarity. That solidarity [illegible] expressed in much closer co-operation, involving [illegible] ments and new and more stringent procedures and decisions.[12]

The urgency of international co-operation within a wider context [illegible] the past two years has to some extent placed the economic and monetar[y] plans of the European Community in the background. Progress [illegible] the stated objective of monetary union by 1980 was halted; the [illegible] itself has been deferred *sine die*, although the European Monetary Co-operation Fund (activated in June 1973 in support of the Italian [illegible] exists as a mechanism for consultation among the Community's exchan[ge]

[12] Speech by Emile van Lennep to the *Chambre Nationale des Conseils Financiers*, Paris, 6 February 1975. OECD Press Release.

In January 1974 the French Government, until then the chief
dvocate of monetary union, withdrew from the snake; the remaining
unity members (and two non-members, Norway and Sweden)
hat was becoming an informal 'Deutsche Mark Zone', grouped
at was now without question the strongest currency and the
economy in Western Europe.[18] Community support for its
rrencies, all the more important in the light of added oil
as inhibited by German hesitation at the scale of the finance
ght be involved and at the weakness of Community influence
omic management in the deficit countries. Apart from accepting
ve extensions of the EMCF credit, the German Government
e preferred to rely either on wider international arrangements or
eral loans, granting the Italians a substantial direct loan in Sep-
1974. In the monetary sphere the Community has been most
ful, perhaps, in formulating common positions with respect to
negotiations—in acting, in effect, as a caucus within the OECD and
IF. Co-ordination of economic policies within the Community had
ped some way during the 1960s, through a network of consultative
ittees serviced by the Commission. The need for more frequent and
ve consultation within the framework of intended movement to-
economic union and in response to the strains of 1972–4 has led to
changes in the structure of intergovernmental committees and to
regular and longer meetings, bringing those responsible for
nal economic management into even closer contact with each other.
s difficult to separate out the constraints which Community mem-
ip has placed on British economic management over the past two
from those imposed by wider international agreements or by
lopments external to Europe or to the industrial world as a whole.
Britain, as for other members and non-members of the Community,
conventional instruments of domestic economic policy are no longer
er straightforward national control. The money supply is affected by
ard and outward flows across the exchanges; interest rates must rise
fall in response to those in other industrial countries, and as such are
subject of regular intergovernmental discussions. The regular use of
ictions on imports is contrary not only to the Treaty of Rome but
o the General Agreement on Tariffs and Trade; so are direct subsi-
o exports. Domestic demand and domestic prices are affected by the
ls in other countries and by the policies of other governments. It is
ult to escape the conclusion that

: spheres of the economy subject to free international competition

[18] Switzerland is likely to be admitted to this group in the near future.
ee 'The Administrative Implications of Economic and Monetary Union
the European Community', *Journal of Common Market Studies*, Vol. XXII

are . . . so large, and the consequent strength of the financial links between nations are now so strong, that government, at least in Western Europe, can exercise a i pendent' economic policy either in the short term or the lon

The choice for Britain, then, is not between economic self-g and economic dependence, but rather between different fram interdependence. The third choice — of pursuing economic i withdrawing from the complicated network of consultations a ments to which membership of the IMF, OECD and Gatt have ted us — is of course a theoretical political possibility, but on would carry very considerable economic costs. International obl have constrained the actions of British economic policy-makers cessive occasions over the last decade: from the reaction within Gatt to the imposition of import quotas in 1964 to the 1967 Letters of Intent to the IMF. Conversely, Community practice so tightly constrained the actions of its member governments as reading of the Treaty of Rome would suggest. Governments accepted the bending of formal rules (within the Community as the wider international economy) when it seemed to them that a situation justified it, or when a breach of the letter of the Treaty appear to represent a significant departure from the spirit of co co-operation. Even Italy's imposition of import deposits, in May was accepted by her Community partners as an emergency (under the provisions of Articles 108 and 109 of the Rome Treaty, objections to France's unilateral introduction of import quot domestic appliances, in 1968, had been as much to her disrega Community consultative procedures as to the act itself.

If the European Community moves successfully on to a higher economic and monetary co-operation within the next few years, may emerge tighter constraints on national economic policies countervailing advantages in terms of Community-wide policies accepts that 'for some important branches of modern industry national market is now large enough to allow the technological be large-scale production to be fully exploited', then the argume European policy on industrial reorganization are strong at the accepting that such national efforts at industrial reorganization government-sponsored IRI in Italy, or the National Enterprise B Britain, may pursue would be subject to some limitation at least in sectors of industry selected for action at the Community level

[15] Christopher Saunders, *From Free Trade to Integration in Western* (Chatham House/PEP European Series No. 22, 1975), p. 81.

[16] *ibid.*, p. 85. It may be noted that the Treaty of Rome has not the expansion of state ownership in Italy, or extensive consultation between government and industry in France; but the pursuit of national concertation or of reorganization on a Community scale nevertheless alternative strategies.

1at the pull of the 'Golden Triangle' will exert its influence on eripheral regions of Western Europe whether or not they are lly members of the Community, then there is much to be said for oping countervailing regional policies on a Community scale, at the of accepting a certain loss of autonomy at the national level. The nce of advantages depends not only upon one's interpretation of omic trends and possibilities, but also upon what type of policies the nmunity may develop, and over how wide a range of industries -- ch still remain matters of intergovernmental discussion.

he choices for Britain are thus as complex in economic management energy and agriculture. Community practice and policies are still ble and loosely defined; the degree of influence which Britain as a inuing member would exert on their future shape must remain a er for speculation. Outside the Community Britain will still be conned by international agreements, she will still be operating within a ext of continuing intergovernmental consultations, which for some oses may appear to provide a more appropriate framework for internal economic management than the smaller European Community. ther purposes the Community itself may appear to provide the most opriate framework; for instance, in attempts to control multinal companies and the inward flow of foreign investment, where it is rom clear that American and European interests coincide.

he strongest argument for Community membership, perhaps, lies in rend towards conducting global economic negotiations on a restricted , between the leaders of the emerging 'blocs' rather than among the separate national governments. Britain as a member of a West pean economic bloc which, for all its inadequacies in managing its economic interdependencies, has emerged as one of the more effecnegotiating groups within the OECD, the IMF, Gatt, and Unctad, it hope to exert a greater influence on the management of the global omy than Britain alone, or Britain dependent upon the goodwill of United States. In time, it might also be argued, the institutional ture of the Community may come to offer a mechanism for enforcing gree of accountability on these so often secret and unreported internmental consultations, and a forum for debating the political rities submerged beneath these economic discussions, which the limited institutions of Atlantic and of global co-operation cannot ide. But that will depend on how far the members of the Community repared to go towards establishing a powerful European Parliament d how far the observer regards such a development as desirable. essarily, therefore, the choices before Britain in terms of a framework conomic co-operation are as much political as economic.

The economic upheavals of the [illegible] the industrialised countries [illegible] developing world have been [illegible] inflation have accentuated [illegible] countries. Not only [illegible] the division between [illegible] countries and the [illegible]

[illegible]

additional oil bill [illegible] estimated at $12 billion [illegible] 1973 boom in other commodities and must [illegible] fertilizers and wheat (estimated [illegible] billion [illegible] respectively). For these countries, of which India [illegible] feed and sufficiently industrialized to [illegible] oil costs, represents a particularly serious case [illegible] ing any growth in the next decade lies in a substantial [illegible] cessional lending.

The prospects for a sufficient response on the part of the developed world to these needs is not apparently encouraging. Large increases in official development assistance or private lending are not likely forthcoming in the present economic climate. The real value of development assistance was decreasing before 1973. In the United Kingdom official development assistance declined to 0·35 per cent of GNP in 1973 and total flows to 0·61 per cent, and no significant increase was expected in the near future. The EEC's own development policy is [illegible] olving in a more positive direction. The Community admittedly had ground to make up. Before enlargement, it has been said, there was no Community development policy. Relations with the Third World were based on the principle of Association, under the Yaoundé Conventions of 1963–1969 with ex-colonies who alone received aid through the European Development Fund (EDF) and whose exports alone were given [illegible]

[17] Barbara Ward, 'First, Second, Third and Fourth Worlds', *The* [illegible], 18 May 1974.

[18] OECD/DAC: 1974 Review, p. 36.

the EEC. The rest of the world received no [illegible] the EEC's Generalized System of Preferences (GSP) [illegible] and this was of limited value in its original form. The [illegible] wealth countries was therefore a matter of great concern when [they] joined this inward-looking, discriminating bloc. For the Commonwealth 'Associables' in Africa and the Caribbean, there was the [prospec]t of some form of association; for the Asian and South-East [Asian c]ountries (which the UK agreed were non-associable), there were [the] benefits derived from the GSP and a Joint Declaration of Intent, [annexe]d to the Treaty of Accession, that their trade interests would be [safeguarded there]after.

[The] enlarged EEC has, however, adopted a much more positive attitude [in the] style and scope of its relations with the Third World. There can be [little dou]bt that British influence has played a major part in this shift, allied [with o]ther member governments (like that of the Netherlands) who were [strong]ly pressing for a less restrictive policy; though the greater negotiat[ing c]onfidence and stronger bargaining power of the primary producers [a]lso contributed to the change. Changes in the Community's develop[men]t policies are most obvious in the new convention (1975) concluded [with] the 46 African, Commonwealth, and Pacific states (ACP), consisting [of f]ormer Associates under Yaounde, and Commonwealth Associables. [On] the enlargement of the EEC, the latter were given the choice of Associati]on along Yaounde lines, Association under Article 238 of the Treaty [of R]ome, and non-preferential trade agreements. They chose the first [opti]on, and after 18 months of negotiation, agreement was concluded on [1 Fe]bruary 1975 and signed in Lomé on 28 February.[13]

[T]he Convention (not Association, a formula to which the ACP states [obje]cted) is to last for five years. Three of its features are innovations. [T]he Stabex scheme for stabilizing commodity earnings consists of a [fu]nd for the compensatory financing of shortfalls in revenues from [ex]ports of 13 primary products (cotton, copra, coffee, cocoa, coconut and [ca]ke, groundnuts and groundnut oil, palm products, hides and skins, [ti]mber and wood products, bananas, tea, sisal, and iron ore—the last [ad]ded as a concession to the ACP states). This compensation is in prin[ci]ple refundable, when prices rise above the average, except in the case of [th]e least developed landlocked and island countries. The second inno[va]tion is in the sugar agreement (contained in a separate protocol). Sugar [re]presented one of the major difficulties in the British entry negotiations; [b]ut the changed supply and demand situation has made a solution easier [to] reach. The EEC has agreed to take 1·4 million tonnes a year from the [p]roducers, and they have agreed to supply this amount; a minimum price

[13] For details of the Yaoundé Convention, see Kenneth J. Twitchett, 'Yaoundé [A]ssociation and the Enlarged EEC', *The World Today*, February 1974; and for [th]e negotiations between the ACP and the Nine, see Nicholas Hutton, 'Africa's [Ch]anging Relationship with the EEC', *The World Today*, October 1974.

is also guaranteed, to be negotiated annually within the range of p
which the Community guarantees to its sugar beet producers. An ext
price will thus, for the first time, be tied to an internal Community p
and the price of an important Third World commodity tied to tha
developed country commodity. Thirdly, an industrial co-operation a
ment establishes a committee covering research and development, t
fer of technology, and training. The trade co-operation clauses gran
access to industrial goods and preferential treatment to agricultural
ducts. The principle of reciprocity, a feature of Yaoundé, is aband
and replaced by an undertaking by the ACP states to grant 'treatm
least as favourable' as most-favoured-nation treatment to EEC im
The Convention is completed by a financial co-operation agreemer
which 3·39 billion units of account (under half of what the AC
quested, but rather more than was originally offered) are made avai
through the EDF.

The Convention has been spoken of by both sides as a model for f
relations between developed and developing countries, and 'revoluti
in some of its aspects'.[20] Both in the spirit of the negotiations, v
included some hard bargaining by the ACP states, led by the sugar
ducers and Commonwealth Africans, and in the nature of the Agree
itself, it represents a very different type of relationship betwee
Community and its Associates from that provided by the Yao
Convention. At the same time, the potential benefits to the Commun
especially long-term ones - should not be forgotten. The ACP states
tain important producers of energy resources (oil and uranium) as w
of primary products.[21]

Some of the new Associates are among the better-off developing c
tries; others are among the poorest. The Lomé Convention gives the
a privileged position in the developing world. Are the criticisms o
Community's policies on the grounds of their discriminatory n
therefore given increased validity? Trade relations with non-Asso
are governed by the GSP and it is only now that this is being mo
along lines acceptable to the Commonwealth Asian countries
EEC's GSP was introduced in 1971; it granted, on a non-reciprocal b
partial or total suppression of tariffs on manufactured or semi-m
factured goods, involving a highly complex system of quotas ('plafo
and country ceilings ('butoirs'). Products were categorized as sens
semi-sensitive, and non-sensitive, depending on the degree to which
competed with EEC manufacture. The unified GSP, amalgamatin
Community scheme with the more liberal British and Danish ones, c
into force in 1974. It improved access for processed agricultural prod

[20] See Babacar Ba, Senegal's Finance Minister and leader of the ACP
tiating side, *The Times*, 4 February 1975.

[21] See *The Economist*, 1 February 1975.

and textiles; and reduced the sensitive products list. The unified GSP was a considerable improvement on the original, but was still less liberal than the British and Danish schemes, and many of the original criticisms applied. It was argued that it was too complex, that it discriminated in favour of established exporters, and that overall its benefits were of limited value and did not compensate for the loss of Commonwealth preferences.[22]

Whether or not in response to criticisms such as these, the Community embarked in 1975 on a number of further improvements in its GSP scheme: the 'sensitive list' of items subject to less favourable treatment was further reduced to 16 items, the list for agricultural products extended, margins of preference widened, and quotas and ceilings raised. Nevertheless, the Commission has stated that 'the situation is still not in line with the wishes of the developing countries, nor with the philosophy of the Community'.[23] It has accordingly presented substantial proposals for the operation of the scheme from 1976 to 1980. It has also urged that the GSP should be reviewed in the context of other countries' schemes (the United States is to introduce her own in 1975) and suggests the suppression of quotas and the modification of ceilings, wider margins of preference for the least developed group of countries, and larger coverage of processed agricultural goods. The Council has now adopted a resolution committing the Community to simplifying, improving, and extending the scheme and included a commitment to ensure that the interests of the most seriously affected countries would be taken into account.[24]

The Commission claims that India and the rest of South Asia will be the main beneficiaries of the revised scheme and hopes that India's present objections will be overcome. Opponents of continued British membership of the Community, who have viewed the treatment of India as a test case in the Community's relations with the Third World, nevertheless claim that the various changes in the GSP, and the Commercial Co-operation Agreement concluded between the Community and India in April 1974, do not fully compensate for the loss of Commonwealth Preferences. India herself makes the complaint that the Lomé Convention gives preferential access to competitors for a number of products that she is trying to export (e.g. tobacco, where Malawi is a competitor). This, it is claimed, violates the undertaking given in the Joint Declaration that any association agreements concluded with the African Commonwealth would not be at the expense of other Commonwealth countries;

[22] For the 1971 and 1974 GSP, see Peter Tulloch, 'Developing Countries and the Enlargement of the EEC', *ODI Review*, 1972; and 'The Community GSP in 1974', *ODI Review* 1974/1. Also Vanya Walker-Leigh, 'The generalized system of preferences', *The World Today*, January 1971.

[23] Dr Paolo Cecchini, Director of External Relations of the EEC, reported in *The Hindu*, 11 February 1975.

[24] See *The Times*, 4 March 1975.

India wants Britain to extract a new declaration from the E equivalent access—or at least fair treatment - for the Asian wealth.[25] The evolution of trade agreements with the rest of Commonwealth is at an earlier stage; Sri Lanka and Bangl negotiating for similar agreements to that concluded with Inc study group has been set up with ASEAN.

It has been pointed out that India's best chance, in the lon achieving more favourable trade relations with the EEC lies in d ing exports. The constraints on India's ability to do this in pre cumstances are enormous. In her case, and perhaps even more s case of Bangladesh (and other Fourth World countries), the qu one of survival; and survival as the DAC and World Bank seer have urged depends on concessional aid from the rich countri EEC's response in the last year to these needs has been encouragi orientation of development policy is undergoing a radical change priorities shifting from a regional basis to one of need. Prompted recommendations of the Commission, and given powerful impetus urgings of Jan Pronk and Judith Hart (the Dutch and British Min for Development), the EEC adopted last July the principle of disb aid on a global basis, instead of to Associates only.[26]

The Commission has laid down criteria for its future global poli which the main ones are the degree of poverty and need. It also call a greater differentiation between categories of developing countri deciding the urgency of claims on the available resources.[27] In its det plans presented on 6 March 1975, it recommends that aid should go least favoured (including India), and priority should be given to cultural development and regional integration. (These proposals hav yet been discussed by the Council of Ministers.) Apart from adoptin global aid policy, the EEC has contributed food aid, and pledged million to the $3 billion UN Emergency Operation which was establis on the Commission's initiative, in the General Assembly's Spe Session in April-May 1974.

How much does it matter for the developing countries if Bri remains in the Community? The Commonwealth has adapted to existence of the enlarged EEC. So far no member state has called Britain's withdrawal, although India attempted to use the final stage renegotiation to extract a more positive commitment. The new As ciates have negotiated a beneficial relationship, and it would be a com cated and lengthy process to alter it; however, the British Governm has claimed that the Commonwealth ACP states could negotiate a s deal in the event of Britain's withdrawal. For the Asian Commonwea

[25] See *The Financial Times*, 1 March 1975. [26] *Bull. EC* 7/8-1974

[27] *Development Aid: A Fresco of Community Aid Tomorrow*, *Bull. EC* S ment 8/1974, November 1974.

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From the point of view of the developing countries, it matters relatively le in the immediate future whether Britain remains a member of the mmunity or not. From Britain's own perspective, the advantages or advantages for the less developed countries of Britain's membership y seem for most people a secondary issue. The Community's policies ards the poorer countries, though they have come closer to Britain's ferred model during the past three years, still leave something to be ired, particularly in relation to India and South Asia. In broader perspective it must be said, however, that the Community's present level of aid disbursement and its GSP scheme are both considerably in advance of the United States'; the EEC appears no longer as an inward-looking bloc but as a force for a more generous attitude within the OECD and Gatt towards the developing countries. The choice for Britain, here again, is one which involves political, as well as economic considerations. Outside the Community she would regain a greater degree of independence in her trade policy towards the developing countries, and a greater freedom of manœuvre in multilateral trade negotiations. Inside the Community, she will more often have to compromise on policies; but she will, in return, maintain a greater degree of influence over the policies and aid distribution of one of the largest and most prosperous blocs in the industrialized world—an influence which she has already exerted to good effect.

V. THE INTERNATIONAL POLITICAL CONTEXT

The most striking political development in the international system during the past three years has been the enhanced importance of the Middle Eastern countries—in itself the reflection of the political consequences of economic power in the contemporary world. Their success in formulating and maintaining a common policy on the pricing and ownership of oil, and in linking the future price and supply both to the economic response of the oil consumers (in terms of prices for manufactured products and of economic co-operation) and to the Arab–Israeli conflict, has in its turn created a powerful incentive for a collaborative response. The future pattern of political, economic, and security relations with the Arab countries has necessarily become a matter of active debate among the governments of Western Europe and North America.

In contrast, relations between East and West Europe, and between the United States and the Soviet Union—which used to be described as con-

India wants Britain to extract a new declaration from the EEC giving equivalent access—or at least fair treatment—for the Asian Commonwealth.[25] The evolution of trade agreements with the rest of the Asian Commonwealth is at an earlier stage; Sri Lanka and Bangladesh are negotiating for similar agreements to that concluded with India, and a study group has been set up with ASEAN.

It has been pointed out that India's best chance, in the long run, of achieving more favourable trade relations with the EEC lies in diversifying exports. The constraints on India's ability to do this in present circumstances are enormous. In her case, and perhaps even more so in the case of Bangladesh (and other Fourth World countries), the question is one of survival; and survival—as the DAC and World Bank secretariats have urged—depends on concessional aid from the rich countries. The EEC's response in the last year to these needs has been encouraging; the orientation of development policy is undergoing a radical change, with priorities shifting from a regional basis to one of need. Prompted by the recommendations of the Commission, and given powerful impetus by the urgings of Jan Pronk and Judith Hart (the Dutch and British Ministers for Development), the EEC adopted last July the principle of disbursing aid on a global basis, instead of to Associates only.[26]

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From the point of view of the developing countries, it matters relatively little in the immediate future whether Britain remains a member of the Community or not. From Britain's own perspective, the advantages or disadvantages for the less developed countries of Britain's membership may seem for most people a secondary issue. The Community's policies towards the poorer countries, though they have come closer to Britain's preferred model during the past three years, still leave something to be desired, particularly in relation to India and South Asia. In broader perspective it must be said, however, that the Community's present level of aid disbursement and its GSP scheme are both considerably in advance of the United States'; the EEC appears no longer as an inward-looking bloc but as a force for a more generous attitude within the OECD and Gatt towards the developing countries. The choice for Britain, here again, is one which involves political, as well as economic considerations. Outside the Community she would regain a greater degree of independence in her trade policy towards the developing countries, and a greater freedom of manœuvre in multilateral trade negotiations. Inside the Community, she will more often have to compromise on policies; but she will, in return, maintain a greater degree of influence over the policies and aid distribution of one of the largest and most prosperous blocs in the industrialized world—an influence which she has already exerted to good effect.

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stituting 'the central balance' of the international political system—have shown a remarkable degree of stability. Détente between the two super-powers has weathered a number of setbacks and disappointments, and appears now to be a stable if disillusioned relationship, based upon a guarded acceptance of each side's limited objectives and spheres of influence. The Conference on Security and Co-operation in Europe (CSCE) has not fulfilled the more optimistic hopes of some of its participants that it would lead to a substantial opening up of economic and political contacts between East and West Europe, but it appears to be progressing towards an unenthusiastic but agreed conclusion. The parallel talks on strategic arms limitations and on mutual force reductions in Europe have also disappointed some initial expectations; but neither has yet disturbed the relatively stable balance between the opposing forces. The first contacts have now been made between the European Community as an entity and Comecon (which for years refused to recognize the existence of the EEC): cautious and slow-moving so far, but offering the distant prospect of more ordered economic (and so political) relations between the two halves of Europe.[28]

Within Western Europe, the member governments of Nato have grown slowly closer together within the framework of the Eurogroup, partly in continuing response to American criticisms of the European 'contribution' to the common defence, partly under the pressure which the still rising costs of military procurement exert for joint development and adoption of equipment. The new French Government under President Giscard d'Estaing has drawn rather closer towards Nato and towards the Eurogroup, though as yet without any concrete commitment. With the continuing decline of the British and other national contributions to Nato in central Europe, the predominance of German and American forces has become more apparent. After the successful conclusion of the first phase of the *Ostpolitik*, a more politically self-confident West German Government had turned its attention back to West European matters, and to consideration of Western Europe's future relations with the rest of the world, beginning to play a political role commensurate with its economic strength. The European Community itself has rapidly developed its procedures for political consultation since their establishment in 1970, and they now cover considerations of foreign policy towards all other areas of the world. During the last year these consultations have also been drawn much closer to the institutional structure of the European Community, creating a pattern of intergovernmental collaboration in which the Commission and the Community institutions play a substantial part, with the new European Council of heads of state and

[28] See John and Pauline Pinder, *The European Community's Policy Towards Eastern Europe* (Chatham House/PEP European Series No. 25, forthcoming May 1975).

government at its summit. Concern among most West European governments about threats to their security and political interests has come to focus increasingly on Southern Europe and the Mediterranean countries, as well as on the Middle East—though Britain is in process of withdrawing most of her remaining military forces from the Mediterranean area.

The political implications of economic power are now apparent not only in relations between the oil consumers and the Arab world and between the two halves of Europe, but also in the efforts of other countries to establish closer relations with the European Community. Part of the attraction of a formal and politicized relationship with Western Europe for the ACP countries is that it gives them a certain degree of status and of bargaining power with a group of influential countries which is not too closely associated either with the United States or the Soviet Union. The political attractions of the European Community for the Latin American countries, and more strongly still for Canada who has been actively pressing for some sort of 'special' relationship with the EEC during the past year, is that it appears to them to offer a valuable counterweight to American influence over their affairs. The political and economic implications of co-operation in military procurement are also becoming apparent to the governments concerned. If further substantial savings are to be made in the effort to contain the cost of military equipment, its development, production, and the training of servicemen in its use, then the common definition of weapons needed will require common assumptions about their potential use and likely areas of operation (and thus in effect a common security policy), and the integration of production facilities for joint weapons systems will require moves towards some sort of common industrial policy among those governments involved.

A number of connected developments have thus combined to pull Britain, as a member of Nato and the OECD, of the Eurogroup and the European Community, into closer collaboration with other governments on the overlapping issues of their political, economic, and security relations with other areas of the world. How important a factor one holds membership of the European Community to be to Britain in this interlocking network of consultations will depend upon a number of considerations on which 'pro-marketeers' and 'anti-marketeers' differ: which are seen to be Britain's most natural partners, whether the European Community is thought to be an appropriate body to play a political role, how closely interested the British Government is forced to be in developments on the European continent, and—perhaps the widest consideration of all what political role is now seen as most appropriate for Britain in the international system.

Throughout the last 30 years Britain has aspired, to one degree or another, to play a mediatory role between the United States and continental Europe, asserting their common interests and attempting to re-

concile their differences. Over the past few years those differences have become more widespread, and perhaps also more deep-seated. American and European attitudes have diverged on how and when to conclude the CSCE, and on the importance to be attached to continuing improvements in the Soviet attitude to the social and humanitarian contacts included in 'Basket 3'. They have diverged on priorities for the reduction of national forces in the mutual force reduction talks, with the United States being willing to contemplate a larger bilateral reduction in American and Russian force strengths than the Europeans, who are more concerned with the delicate balance among forces in central Europe, would desire. They have diverged also on policy towards the Middle East, over which at times an American willingness to contemplate confrontation with the Arab oil producers (and to risk the security of oil supplies by overt support for Israel) has been opposed by a European willingness to attempt to develop a wide-ranging political and economic dialogue on co-operation with the Arab world. So far these differences have been of emphasis rather than of principle, and Atlantic collaboration has been maintained; but reserves of goodwill on both sides are not as large as they were some years ago. It is a matter for political judgement—resting perhaps fundamentally on one's perception of Britain's role in the world as well as on the nature of Britain's relations with the Middle East and Eastern Europe—how far this country shares the perspective of either side; on that political judgement rests an important part of the argument as to whether Britain should or should not remain a member of the Community.

It is clear that Britain alone can no longer exert the political influence over American foreign policy which she claimed throughout the fifties and the early sixties. The choice is either to accept American leadership, on a wide range of issues, in the belief that this is likely to be in Britain's interests, or to combine with other partners in attempting collectively to exert that influence over American policy which Britain has now lost. The political role of the European Community is arguably most important in acting as a caucus within Atlantic institutions, providing a counterbalance to the United States. Dr Kissinger, on behalf of the United States Government, has on occasions demanded such a collaborative European response to American proposals to form the basis of a constructive partnership—though the European response has not so far been very coherent, nor the USA's attitude to European initiatives entirely consistent. If there were no institutional framework for a collaborative European response to the United States, there is little indication that the US Administration would turn back to Britain as a partner; rather, the indications are that the present Administration would pursue a more bilateral relationship with West Germany as the most important economic, military, and now also political power on the European continent. If

Britain seeks with others to influence American policy, there is at present no institutional alternative to that of political consultation within the Community. The Eurogroup is not a political body—European consultation on the political and security as well as the economic aspects of the CSCE was conducted among Community member governments, not within the Eurogroup framework; Western European Union is little more than a formal body, without political significance.

Herr Willy Brandt recently suggested one possible solution to the dilemma which faces those in Britain who recognize the desirability of political and economic co-operation among West European countries, but hesitate to accept the commitment to economic and industrial integration which is implied in further progress within the European Community: that the Community should accept, at least temporarily, the division between those members whose economies are strong enough and whose priorities are sufficiently clear to move further along the road to integration and those with economies in need of protection and with political priorities less firmly oriented around central Europe.[29] What might emerge, on this model, is a two-tier Community, with Germany, the Netherlands, Belgium, and probably Denmark as a more closely integrated inner group, with which France might perhaps also associate herself, and Britain, Italy, and probably Ireland participating in political discussions and joining in the broader decisions on economic policy, but without sharing in further moves towards economic and monetary integration, or towards a common industrial policy. In effect, this might lead to a three-tier arrangement in Western Europe, with those non-Community states now members of the 'Deutsche Mark Zone', Norway, Sweden, and Switzerland, as a third group revolving (as would the second) around the central power of West Germany. Politically and economically such a solution would have some advantages for Britain, enabling her to avoid either exclusion from European collaborative decision-making or commitment to a pace of integration faster than her economy could stand.

Consideration of such a half-way house must, however, include an assessment of Britain's degree of concern with developments on the European continent: which means, above all, assessing Britain's concern with the growing importance of Germany. Even at the highpoint of empire, no British Government could be entirely unconcerned with the pattern of relations on the continent; and it is not to question the goodwill of the present German Government to argue that it is as much in Britain's interest to exercise some degree of influence over German policy as it is over American. How best that influence is exerted, and through what institutional framework, ought therefore to be an issue at the centre of the referendum debate. A wider question behind this must be how far a

[29] Speech in Paris, 19 November 1974. See *Le Monde*, 21 November.

British withdrawal from the Community would lead to further, perhaps damaging, changes in the balance of relations between the governments of Western Europe, and between Western Europe and North America. It is possible that British withdrawal would leave a Community of eight otherwise little changed from the Community of nine; but it is also possible that it would lead to a revival of French fears of German dominance, and a decline in the German interest in the Community as an institution, with a consequential weakening of co-operation throughout Western Europe—and a revival of Congressional demands for a reduction in the American commitment to defend a continent which is unable to organize its own political, economic, or security interests. It is, too, difficult to see how progress towards joint procurement in Nato and within the Eurogroup could be maintained in such an atmosphere of lessened trust and weakened co-operation.

Britain is not only concerned politically with central Europe. The Efta countries of northern Europe have offered, from some viewpoints, an alternative to Community membership in the prospect of a revived Free Trade Area, perhaps also with a loose form of political consultation among its members to concert their views in international negotiations. But the close economic relations which all the Scandinavian countries have with West Germany would cut across the interests of such a group. Politically and militarily, the most unsettled part of Europe is its southern flank, the Mediterranean area, in which France and Italy are necessarily vitally interested. For these two countries the Community framework (and for Italy also Nato) serve, amongst other purposes, to involve Britain and Germany more directly in consultations and decisions on Mediterranean matters. Whether or not Britain's interests are seen to lie in completing the gradual withdrawal of British forces and British influence from the Mediterranean, or whether the increasing instability of that region requires continuing efforts to exercise influence, is therefore also of relevance to Britain's decision to stay in or leave the Community.

Fundamentally, then, the issues which now face Britain revolve, as in 1961–2 and in 1972, on one's perception of her role in the world. The options open to Britain have narrowed as her economic position has declined and her standing with the United States and the Commonwealth weakened, and as the international context has shifted; but there remain underlying questions of where Britain's interests lie, of how far she needs to be involved in international negotiations to protect those interests, and how best to gain influence and standing in such negotiations. Those who argue for continuing membership assert that Britain's interests focus first and foremost around Europe and the North Atlantic area, politically, militarily, and economically; that in order to protect and promote those interests Britain needs to have influence in Europe and standing in negotiations with the United States through association with her European

partners; and that the only available framework for this is the European Community. They argue, further, that one can no longer separate economic interdependence, military alliance, and political interests into separate sets of relations: that the harmonization of industrial standards, the common procurement of military equipment, the identification of potential threats, and the combination of political interests in global negotiations now form a series of overlapping patterns which are most efficiently and conveniently handled within a common intergovernmental framework. They would add that the experience of two years of Community membership has shown clearly that Britain's relations with the less developed countries are best handled from within the Community. Those who argue for British withdrawal assert that British interests are more widely dispersed, and that Britain no more needs to be in the European Community to protect them than do Sweden or Switzerland. Most would add that there is no necessary link between economic, political, and security relations, and that Britain outside the Community could continue to maintain her full commitment to Nato (as France, outside Nato, remains a full member of the Community), and to exert where necessary political influence over the other countries of Western Europe and the United States as over the rest of the world – while enjoying the benefits of free trade with the continent without the disadvantages of enforced economic and industrial integration. Some would imply, further, that the preoccupation of their opponents with the need to exert influence over the management of the international economy, over the foreign policies of the United States and Germany, over the security problems of the Mediterranean, or the harmonization of industrial standards represents more a hankering after lost great-power status than a correct identification of Britain's interests.

It would be simpler to agree upon where the final balance of advantages and disadvantages lies if, as has been suggested earlier, the future direction of trends in international agriculture, in energy, in the international economy, and in the international political system itself were more clearly defined. In the last resort, political values —differing perceptions of the compatibility or incompatibility of Britain's interests with those of the United States, France, or Germany, differing beliefs about the nature of Britain's role in the world– will necessarily play a part in the popular decision. But it is important that the debate shall take place upon the right foundation: upon the international situation which faces Britain in 1975 and its implications for the country's interests, in the short term and the long term.

An Atlanticist or European Europe?

JACQUES FREYMOND

THE continuing debate on Europe's role may be disconcerting, but its origins are clear and its premises simple. It is rooted in the collapse of Europe in the Second World War and the emergence of two superpowers, the United States and the Soviet Union, whose confrontation led to the setting up of two antagonistic alliances—Nato and the Warsaw Pact. Western Europe, which escaped German domination only because of British resistance and American support, saw itself forced to seek to recover within an Atlantic framework the economic resources and military means which it lacked. But Hitler's claim to impose a New Order in Europe had aroused its conscience, which found expression, first, in the resistance movements and, after the war, in successive attempts to organize Europe. Thus the post-1945 period was marked by the permanent confrontation of two major trends: one towards the organization of the West in an Atlantic framework, and the other towards the formation of an independent Europe as a third force between the Soviet Union and the United States.

The course of this confrontation is too well known to need recapitulation. However, it may be useful to recall that, while the Marshall and Schuman Plans were complementary, the conclusion of the North Atlantic Treaty relegated European Union to second place, the failure of the European Defence Union led to Western Germany's joining the Atlantic alliance, and General de Gaulle's veto on Britain's entry into the Common Market curbed the élan of the European revival and sounded the knell of President Kennedy's 'grand design' of a 'partnership between equals'. On the other hand, President Nixon's economic and fiscal measures of 15 August 1971 breathed new life into attempts to consolidate and widen the European Community.

The European states, however, were and are divided. Monetary Union implies political co-ordination, and the elaboration of a common foreign policy demands more than the definition of a 'European identity'. Dr Kissinger's initiatives and cavalier manners and President Nixon's ultimatums merely succeeded in causing acrimony, reflected in the discussions within Nato and eventually dispelled in the laborious process of drafting common declarations. The October 1973 war in the Middle East, which suddenly placed the Europeans in a situation of dependence vis-à-vis the oil- and raw-materials-producing countries, precipitated the

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long-simmering crisis and confronted Western Europe with a number of choices.

The options

Before examining the options, let us stress that the range of diagnoses is wide. The financial and economic analysts differ as to whether we have or have not entered a period of recession. One reason for this is that the crisis -- whether one calls it inflation, stagflation, slumpflation, recession, or depression--affects people, social groups, economic sectors, countries, or continents very unequally. Some are able to absorb shocks such as those resulting from the rise in the price of oil and raw materials; some even benefit from them, whilst for others they assume catastrophic proportions. Hence a new interest in the 'Fourth World', composed of countries which have suffered most from the other nations' economic rivalry, though this show of concern for the underprivileged—often inspired by genuine feeling --has perhaps led to an under-estimation of the real problems confronting the industrial nations.

Indeed, the industrial nations themselves are not all equally placed: for example, one could not put North America and Western Europe in the same boat. The US is, no doubt, experiencing economic difficulties; but she is recovering from the double crisis of Vietnam and Watergate because her people have preserved a fundamental moral health which justifies optimism and appeals to the imagination, and because she owns important material resources. On the other hand, the nations of Western Europe are essentially concerned to defend a standard of living based on the use of the resources of the Third World, which no longer wishes to be exploited; but they have neither the means nor the will to restore the balance of forces and the economic system which favoured them in the past. Yet it is precisely this attachment to their standard of living which could bring about their downfall. Blinded by twenty-five years of continuous development, Western Europe has been laid low by the sickness of affluence, reflected in egocentric attitudes destructive of civic spirit and in waste all the more dangerous as it feeds on the resources of others.

The parallel with 1929 has its pitfalls. The subsequent world crisis is recalled today only to be dismissed, with the false confidence sometimes conferred by the lack of historic memory, by assurances that measures have been taken to prevent a depression of the same kind. Thus the analysis is limited to apparently 'isolated' phenomena, the current crisis is interpreted as a 'monetary' one or tackled in its most immediate form of inflation, and conflicting recommendations are made as to the remedies governments should adopt to re-establish an international monetary system or to rein in inflation, whilst at the same time their weakness and lack of courage to take the necessary measures are deplored. But if one asks why governments do not dare take these measures, one tends to

conclude that the crisis is wider than imagined—not merely monetary and economic but also political and social. Whatever the formulas used to prove either that the economy has run wild as it did before 1929 or that supply does not follow demand, responsibilities have to be accepted by people; and in the West, they rest largely with age groups which, having known only the affluence of the post-war period, limit their political horizon to the maintenance of or the rise in their standard of living. They commit—or tolerate—errors of judgement which are serious mistakes in the conduct of their affairs.

As before 1929, investment trusts have again been developed beyond all reason, capital speculation and call-loans are accepted and even encouraged, and long-term investment is financed with short-term funds. Thus it is hardly surprising that some financial empires have crumbled (like those of the IOS, or of a Sindona), damaging in the process directly or indirectly, through the sapping of confidence, not only individual banks but also the whole of the banking and monetary structure. As everyone knows, gloom and uncertainty generate panic in social groups which have capitalized on optimism and know, moreover, that the very ingenuity that served to develop the system renders it more vulnerable now. It is therefore fundamentally wrong to restrict attention to stock market movements or monetary fluctuations. The crisis facing Western Europe is social and political; it is reflected in the growth of centrifugal forces within the existing polity and in a dilution of political power, which handicaps governments in the conduct of their foreign policies just when a worldwide reversal of the balance of power is occurring and men are increasingly conscious of the limits of the world's resources. We have, in fact, entered a long phase of troubles typical of periods of great change.

Against this background, semantic discussions about whether we are experiencing a major or minor recession only skim the surface. Whilst it is true that the poor countries, which already live in penury, could be left to perish in famines and mass deaths, it is, to say the least, naive to imagine that the industrialized countries, in Europe and elsewhere, would be able to protect themselves against the repercussions of such disasters. Let there be no mistake: the forecasts of the ecologists are no academic exercise. The oil crisis and food and environmental problems have become the central themes of international politics. What the Third World countries want is a *new world order*: a new economic, social, and political dispensation imposed by the need to resolve together the ecological problems of the relationship between man and nature.

Social progress does not consist in improving the living standards only of people grouped in certain parts of the world, in our countries alone; it must be worldwide. Research aimed at the establishment of such a global order is already seeking ways of ensuring minimal conditions of survival for the world's population. In effect, this is a search for a

eadjustment of relations between people in the sense of equalizing their iving conditions, and such an egalitarian philosophy inevitably leads owards economic adjustment on a world scale. Our societies are evolving owards socialism and it would be a dangerous illusion to ignore this undamental trend. The contemporary world is already too highly integrated owing to the development of communications, and too conscious f the universal right to a better life, for it to be possible to preserve solated pockets of prosperity, with minorities appropriating resources which are the common property of mankind. We are moving towards a ew international division of labour and a worldwide redistribution of esources. The alternative is war and chaos.

\ policy for Western Europe

In these circumstances, what can Europe do? It finds itself in a state of ependence, without having really grasped it. It thought it could free self from the post-1945 dual domination of the US and the USSR by a emarkable economic recovery. But it was unable to base its economic evival on the reconstruction of viable and governable societies, which ould be able to undertake and uphold the commitments necessary to uropean co-operation. Democracy, as everyone knows, is a system of articipation; it rests on social discipline based on consent and public pirit. But prosperity, which stimulates individual and collective aspiraons towards a better life, is now about to destroy the basic principles of emocratic regimes everywhere and to reduce the Western European ations to mere pawns in the international game. Their fate no longer epends only on the Soviet-American balance of power but also on the lationship with the Third World countries which control the resources ndispensable to Europe's economic survival. The foreign policies of the uropeans can do little more than mend fences and postpone the moment f truth in the financial, economic, and political sphere; this is because eir internal policies are based on expediency, with governments reuced to compromising with groups irrationally bent on the defence of nmediate advantage, whereas what is at stake is the very existence of ndependent European nations.

Such independence is thought to be impossible by those who believe the inevitability of a choice between adherence to the Communist stem on the one hand, and to the Atlantic one on the other. The furious ontroversy surrounding the statements by the Vice-President of the rench National Assembly and former airforce Chief of Staff, General tehlin, last November showed how topical this issue is. Already on 30 larch 1974, the General had questioned the foreign policy of M. Michel obert in *Le Monde*: "There is no other force than that which, paradoxially, we solicit from the United States, and which she continues to offer -for her defence, it is true, but none the less for our salvation as a

country of liberty and human dignity'. Developing this argument, the General wrote in the same newspaper on 8 November:

> *The President of the Republic has set himself the task of accelerating the process of European integration. But, in any case, many more years* will pass before Europe achieves the stature of political independence based on realities rather than words. It has been a constant aim of Soviet policy to oppose the establishment of a United Europe. Every great power has always hated to see its neighbours organize themselves without it... In these circumstances, only the Atlantic alliance is able to give Europe the means to attain the objective which it has set itself. To put it clearly, to become ourselves we need US support and this, I believe, for many more years to come.

Le Figaro on 7 November put the opposite point of view:

> Neither Concorde nor big computers, neither colour television SECAM nor modern fighter aircraft . . . If we understand General Stehlin correctly, none of this is within the possibilities of France, her people, and her destiny. It has to be abandoned, for the pursuit of efficiency alone. Efficiency in what? Simply in an inter-European co-operation under US licence.

Is it possible to get away from this argument which, according to General Stehlin, boils down to a choice between two types of dependence? I believe it is, although the internal situation of the West European countries has deteriorated to such an extent that it has become very difficult to apply the right remedy. But in the last resort, this is a phoney debate, or rather a debate over a phoney problem. For Europe's independence does not hang on its capacity to build planes or computers, but on the will of Frenchmen, Germans, Italians, and Swiss to live together and to co-operate with each other. The history of nations demonstrates that independence is above all a political fact—as the Algerians, the Vietnamese, the Israelis, the Palestinians, and many other states have recently established. Such a will to live together implies mutual concessions, constant adjustments between often antagonistic interests, a permanent concern to count first on one's own resources and to accept the necessary sacrifices. The policy of General Stehlin is an easy option which aims to place the heaviest burdens on someone else's shoulders. If one followed him, there would no longer be any valid reasons for transferring technology, encouraging scientific research, developing new industrial plants or even agriculture. The international division of labour would result in a concentration of research and production in a few privileged regions whose inhabitants would end up having absolute control over the destinies of the whole world. It is, of course, not so much the ownership of the computer which matters but the capacity to make use of it; nevertheless, it would be wise to remember that - according to the philosophy which inspired anti-trust legislation in the United States—the indepen-

›nce of the consumer resides in his capacity to choose between different pes of computers and even to build more antiquated ones if necessary.

Given the will, then, Western Europe can recover its independence, ›t against America, but by pursuing with the US a policy of scientific, ltural, economic, and commercial exchanges, which does not exclude e development of similar exchanges with the Communist countries and e Third World. Europe cannot leave to someone else the task of ıaranteeing its military security: and this implies considerable effort on e part of all its component states. It should constantly be borne in mind at war is not impossible. However necessary the pursuit of negotiations med at disarmament or, at least, at the establishment of arms control, e citizens of the Western democracies must accept—as have the Vietmese, the Israelis, the Arabs and the national liberation movements to ich they give their vocal support—that relations between polities remain a function of the balance of power.

Whatever its relations with one or other of the great powers, a European ırope should not limit itself to Western Europe but should recognize at, in this period of universal realignment of forces, the countries of ıstern Europe, by virtue of their geography and history, also belong to e same continent, and that in the long term the difference in social stems is not necessarily an insurmountable obstacle.

The Europeans could—and in my view should—show imagination: ey should conceive a regional security system of large and small Euro-·an states, leaving to the great powers the tasks of world magnitude; they ould intensify transfers of technology and scientific exchanges; strive resolve regional problems concerning the environment; and, finally, amine whether a regional Europe of this kind does not share common terests whose defence within the world system could serve as the basis r the conception and realization of a common foreign policy. In other ›rds, they should define the objectives which can be achieved by means thin the grasp of the European states—in contrast to those at the dis-›sal of the great powers—thus enabling the USSR and the US to extri-te themselves from regional problems.

The predictable objection to this is that the two super-powers do not ınt to disengage from Europe but, on the contrary, intend to remain volved because they each fear that the balance of power established ıce 1945 might be upset to the benefit of the other. It is true that Europe one of the terrains of super-power confrontation, that we are experi-cing once again a 'destabilization' phase in arms control, that at the 'arsaw meeting of European Communists last October the Russians turned to the need to continue the ideological struggle, and that the estern Governments do not intend to dismantle Nato in their search r a European identity. But what the Europeans, especially in the West, rget is that nature abhors a vacuum; it is their very weakness, shown

above all in the dilution of power within their social systems, which represents the most formidable obstacle to the normalization—let alone the further development—of East–West relations. This dilution is an obstacle to the establishment of a European power and even of a common foreign policy. It keeps the West on the defensive, an attitude seen in the recent refusal to be 'Finlandized'—an expression derived from a caricature of the reality of Finland's independence and used to justify the arguments for self-protection against an external menace. What the Europeans did not see, and still do not want to see, is that the menace is internal—neither more nor less imported than inflation; for all our societies, whether Communist or not, whether of East or West, are being shaken up by a scientific, technical, and industrial revolution, and are feeling the impact of a universal process of continuous change that is gathering momentum. To let oneself be immobilized in a defensive attitude is to be condemned to extinction: no one, Marxist or non-Marxist, can resist the movement of history. It is perfectly possible for the European countries to remain locked in sterile confrontation, dominated by mutual suspicions. But they should recognize that such a confrontation of societies frozen in the defence of what ultimately is nothing but the interest of minority establishments will not allow them to regain their lost independence; they will remain mere pawns in the game which, because of their abdication, the great powers will be constrained to play without them.

This sad prospect is, in fact, the most likely one, owing to the inertia induced by the illusion that we shall be spared. The Europeans have despite themselves been freed from the yoke of their empires, but not from the ethnocentric outlook which still determines their judgements about the world at large. Whether they deal with Eastern Europe, the United States, or the Third World, whether they vaunt, regret, or excuse their past, they think only of themselves, using even the confession of their sins as a means of self-admiration and as proof of their own spiritual and moral superiority. This narcissistic attitude prevents them from perceiving clearly what others expect of them. With the exception of a handful of madmen, the contemporary world does not want to see the end of Europe. Question the majority of the countries of the Third World, the East Europeans, the Americans, or the Chinese: none of them wants Western Europe to sink into chaos and impotence. But what they expect of it is initiative, imagination, a capacity to see beyond the immediate reality of material and military forces, and an active participation in the establishment of a world order, in which Europe's historic experience and scientific and technical knowledge will enable it to make a decisive contribution.

To conclude: a European Europe would affront neither the USSR nor the US, but would be able to find the means to make itself respected by

them. It would do this quite simply by becoming a partner who counts first of all on his own resources and, therefore, one who can be counted on; independent, but not aggressively critical or given to the weakling's propensity to oppose in order to assert himself; a partner with his own vision of world problems and an understanding of the need to restructure the relations between continents and between nations as part of the global process, giving due priority to the great ecological issues that threaten our security as much as war, and thus a participant in the common struggle for the survival of mankind. This must be the principal objective of a pan-European foreign policy, to which all others should be subordinated. It can only be attained by a collective effort and by social mobilization based not on coercion but on consensus. What we must understand —as soon as we have grasped the true dimensions of the challenge facing Europe—is that it is not enough to change policies at the level of governments, enterprises, or social groups, but that we must involve ourselves as 'citizens' in the daily life of our national communities.

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Note of the month

REVIEWING NON-PROLIFERATION

On 5 May, as though symbolically, the Review Conference on the Nuclear Non-Proliferation Treaty (NPT) convened in Geneva two months later than the date envisaged in the treaty. With the nuclear explosion in India twelve months before and the acceleration of civil nuclear programmes everywhere in the aftermath of the 1973 'oil crisis', the delay reinforced the impression that the tiger's tail was slipping beyond reach. The number of nuclear power reactors in the world is expected to treble during the 1970s; the amount of fissionable plutonium emerging annually from reactors will be multiplied more than twelve times in the next ten years. It has become fashionable to doubt whether any international endeavour, let alone a mere treaty, can prevent at least some translation of that enormous civilian expansion into a military result.

In theory, the NPT looks for its ultimate justification to the proposition that any further dissemination of control over nuclear weapons diminishes the security of all states (and especially, it might be added, of states without nuclear weapons). In practice, the idea of such a collective international good has been much less powerful than the idea of a multiple bargain between those with and those without nuclear weapons. The Review Conference organized its work by distributing particular provisions of the NPT between two committees. The Political Committee was allotted the basic prohibitions of proliferation, together with disarmament commitments and security arrangements. The Technical Committee was given the articles which dealt with peaceful nuclear co-operation, peaceful nuclear explosive devices (PNEDs) and the international safeguarding of nuclear activities. Although the division had an artificial flavour, it reflected the lines between three main bargains on which the NPT is founded: a 'peaceful uses bargain', a 'disarmament bargain' and a 'security bargain'.

The essence of the 'peaceful uses bargain' is that nuclear-weapon states, in return for undertakings by other parties to renounce nuclear armament and to accept international safeguards, promised a variety of rewards, including access to any economic benefits of PNED, and, more generally, favourable access to civil nuclear assistance. There being no good evidence that PNEDs offer any economic advantage over non-nuclear techniques—and a good deal of evidence to the contrary—that

part of the bargain remains hypothetical. Britain has proposed th International Atomic Energy Agency (IAEA) should set up a 's advisory body' to consider how any eventual economic benefit of PN might be made more widely available. Many might find it more int ing to consider whether PNED programmes offer any worth-while pect of an economic reward at all. The part of the bargain of wider ge interest, however, has been that which promised some preference in nuclear assistance to NPT parties. The promise has persistently broken since 1968; non-parties, such as India, Argentina, and B have been near the top of lists of recipients of civil nuclear aid fron advanced nuclear powers, directly or through the medium of the I It was of some importance, therefore, to find the British Govern announcing at the Review Conference that it would restrict at least a of its nuclear aid through the IAEA to recipients who had accepte NPT as a whole. If that example proved infectious, and still more were extended to *all* civil nuclear supplies by NPT parties, the r might be to give real meaning to the 'peaceful uses bargain' itself. M while, the bargain is under increasing pressure from the world acceleration of civil nuclear programmes. It is doubtful whether existing international safeguards machinery can cope with the enorn output of plutonium from civil power reactors by 1985, or even 1980, far from certain that existing arrangements can protect that quantit material from diversion or theft during its inevitably frequent moven within and between countries. One proposal to emerge from the Rev Conference has been for an international convention on the phys protection of nuclear installations and fissionable material in trar Another proposal, possibly with more practical merit, is that nati installations for processing fissionable material should give way to a work of regional installations, each controlled by several governme In the end, however, such proposals will not be of much help unless b national arrangements for the protection of nuclear material and int national arrangements for its safeguarding are made adequate to future scale of the nuclear industry.

The two bargains with which the Political Committee was entrus are more familiar. The 'disarmament bargain' required that nucle weapon states would negotiate to end the nuclear arms race, to engage actual disarmament, and to end all nuclear testing. Despite calls fo commitment to a specific timetable, the Conference achieved nothing that front (although it did provide an opportunity to resurrect the id of an agreement to suspend production of fissionable material for milita purposes). The whole issue of nuclear arms control continues to ha upon bilateral negotiation between the United States and the Sov Union, who show no inclination to move at other than their own pa That situation may be distasteful to non-nuclear-weapon states—or ev

other nuclear-weapon states—but it is an apparent fact of international e. In any case, there is little evidence that the extravagant competition tween existing nuclear powers is a motive, as opposed to an excuse, for e acquisition of nuclear weapons by other states.

The position on the 'security bargain', by which the nuclear-weapon rties to the NPT agreed to protect non-nuclear-weapon parties against uclear blackmail', is less clear-cut. The unilateral 'security assurances' iich the United States, Britain, and the Soviet Union issued in 1968 re hardly more than cosmetic. The Review Conference, however, monstrated a tendency to turn from such general assurances towards e promotion of regional zones from which states would agree that iclear weapons should be completely excluded. The framework for a itin American nuclear-free zone already exists in the 1967 Treaty of atelolco, and Nigeria has recently revived the proposal to establish a nuclear-free zone in Africa. If such zones were accepted as appropriate o these and other regional situations, the results could be far-reaching. As in Latin America, the nuclear-weapon states would be pressed to commit themselves not to use or threaten to use nuclear weapons against countries within the zones- and it is worth remembering that China and France (although not the Soviet Union) have joined Britain and the United States in that commitment to Latin America. By giving a new impetus to the concept of regional nuclear-free zones, the Review Conference may yet thus generate a more constructive approach to the 'security bargain' of the NPT than either the 1968 'security assurances' or any general undertaking not to use nuclear weapons first.

In relation to the NPT itself, the outcome of the Conference can only be judged in the light of the next couple of years. If countries defect from he treaty, it will obviously have failed. But it will also have failed if it does not lead to further action which persuades at least some former opponents and waverers to subscribe to the NPT. The possession of nuclear weapons in the 1970s arguably brings with it far less real international influence or useful status than in the 1950s or 1960s. Their urther dissemination, or at least the diffusion of nuclear materials and echnology without adequate international regulation and management, still, however, implies dangers to international security: not merely the static menace many would see in a 'proliferate world' but also the tension nherent in any dynamic process of nuclear proliferation. It was inconceivable that the Review Conference would immediately achieve universal acceptance of the NPT. If, however, it prompts a new effort to achieve some limited goals--the fulfilment of the 'peaceful uses bargain', a reexamination of suspending fissionable material production for military purposes, multinational arrangements for processing fissionable material, regional attempts to establish nuclear-free zones --it may yet have helped to catch the tiger's tail.

IAN SMART

The conquest of Indochina

DENNIS J. DUNCANSON

THE surrenders at Phnom Penh and Saigon—prompting, as Prır Souvanna Phouma hinted at the time of writing, the capitulation of t Royal Army at Vientiane—are a tremendous political triumph. Some the victorious local commanders of Communist forces have been showi off the young, lightly armed, guerrillas to whom it is convenient to ha 'the last fight' attributed in the outside world; the long-range artill less mobile, has kept its distance. In reality, both kinds of armed fo have played their part in 'national liberation', integrated in an escalatı which, according to the Commander-in-Chief, Vo Nguyen Giap, nec sarily began with 'armed propaganda' teams and, equally necessarı culminated in deployment of 'conventional' divisions equipped with ı most advanced military technology obtainable.

It we can believe General Giap and his comrades in the Politbur Hanoi, however, escalation of the war machine could not have be brought about without skilful manipulation of two other factors as w The first has been the geographical propinquity but constitutio separateness of Vietnam, Laos, and Cambodia, which fatally divi opposition to the territorial expansion of the Indochina Commur Party (ICP) whilst allowing the tactical exploitation of adjacent b derlands and the strategic modulation of pressure on one at a ti The second factor has been the revolutionary doctrine of Marxis Leninism, which (again according to innumerable public stateme from Hanoi) has provided both an ideological justification and a mo revolutionary organization and list of methods: the ICP, under eit that name or those of its four 'national' sections, has carried out Len 'conspiratorial' teaching with a subtlety and a faithfulness unmatcl anywhere else in the Communist world. The conquest of Indoch amounts to a continuation of warfare and of diplomacy by each oth means. The resultant repudiation in America of the Truman doctı but worldwide acquiescence in the Zhdanov line is an achievement which the chief credit should go to the three or four Vietnamese I sheviks still alive in Hanoi. (Giap is not one of these, of course: the o training he underwent was by courtesy of the US Army in 1945.) T article looks back at certain features of the story which do not find ın place in current political analyses of the Indochina conflict.

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Nationalism and violence

The idea dies hard that revolutions only succeed if sustained by a popular cause. Events in Cambodia surely disprove that belief. Although atrocities have been perpetrated since 1970 against village notables, and the masses living in towns have been subjected to rockets and mortars (by nature indiscriminate), what political state was intended to emerge from Peking's championing of Khmer royalism has never been vouchsafed to the victims; even who the 'Khmers Rouges' are has been kept so secret that Prince Sihanouk, their past 'executioner' and present figurehead, has confessed to uncertainty: his intercourse with them has been through Hanoi. The truth is that the Leninist ICP has turned to good account *every* kind of 'contradiction' in society, whilst varying its declaratory cause to conform with changing fashions in Europe and America. Since Stalin declared the Second World War to be the Great Patriotic War, nationalism has been in the forefront of propaganda; yet in the 1920s and 1930s Ho Chi Minh and his comrades condemned it and in 1945 6 liquidated non-Communist nationalists as traitors. The Communist Patriotic Forces of Laos are predominantly non-Lao; the Communist force which struck at the national army at Phnom Penh in 1970 was entirely Vietnamese and, according to Sihanouk, was only 'Khmerized' gradually and partially. The ICP consistently opposed decolonization by planned devolution of power and has always frustrated social reform and social betterment, in line with Comintern policy; as Lenin taught, collaboration in peaceful measures of social or political advance ('opportunism') carried no certainty that power would pass into the Party's hands—only 'revolutionary violence' could make sure of that. Every stage of Giap's escalation has been violent, provoking use of force by the authorities, who then unavoidably risked obloquy as no better than their assailants. Physical sabotage of the scarce resources of Laos, Cambodia, and South Vietnam made those states draw increasingly on foreign aid and incur the stigma of puppets.

Marxism and liberalism

The ICP has found justification for violent revolution primarily in the Marxist analysis of capitalism, updated by Lenin. If ultimate establishment of proletarian dictatorship under CP rule is written into the 'inexorable laws of history', then to resist the process is both wicked and futile; the existing political order becomes a doomed deviation, defence of it a form of aggression. In this framework of thought, foreign aid to make good ICP sabotage has been represented as neo-colonialism. Right across the state of revolutionary conflict, roles have been reversed in the ICP's widely-credited self-portrayal: although the armed struggle began long before the US came on the scene, opposition to America has been represented as its origin; the CIA has become the aggressor, much older

Communist secret agencies a legitimate defence against its conspiracie soldiers armed with American 120-mm guns are running dogs of in perialism, soldiers armed with Russian 130-mm guns freedom fighter Non-Communist imitations of Communist terminology, and even pol cies, have lent the Party ammunition for misrepresentation: Americ 'Special Forces', Ngo Dinh Diem's half-secret Personalist Part 'strategic' or 'struggle' hamlets, and so on. Not all listeners whom the IC has wanted to influence have been susceptible to explicitly Marxist jus fications; the Leninists have appealed to them in their own tern Nationalism has evoked Byronesque liberalism; the guerrilla mystiq has conjured up David and Goliath; electoral irregularities and restri tions on personal freedom for reasons of defence have become credil explanations of insurrection, even though the insurgents' avowed syst was a more oppressive, one-party, dictatorship. With Western aid a troops comes the Western watchdog, a free press; its duty is to nose scandals on its own side, not the opposing side. The ICP has periodica voiced gratitude to the international Communist movement for procur it a favourable Western press, but excluded reporters from Han except for calculated scoops. In Saigon or Vientiane, the press co investigate corruption as an 'exclusive', and so that was news; corrupti equally rife in Hanoi could only be known about from official admiss of it which, broadcast, were not exclusive and so not news.

Ceasefires

The ICP's gains from the discouragement, by means we have j referred to, of American adherence to the Truman doctrine have b legitimated in successive ceasefires. The French Government could h fought its way ashore in Tonkin in March 1946 but instead made hi concessions to Ho Chi Minh to satisfy French public opinion. Neit the French army nor the Vietnamese and Cambodians under its gene were defeated decisively at Dien Bien Phu in 1954, but French taxpay and parents of conscripts were disheartened and wanted their prisor back at any price. In December 1972, the South Vietnamese army wa in a strong position, for American bombing had stifled North Vietna military communications; but the American public sued for peace, the French. The 1946, 1954, and 1973 ceasefires all divided the IC native rivals from their foreign backers and conceded to the Part permanent right to more territory, but in every other respect they w provisional. The 1946 ceasefire consolidated the ICP's hold over north Tonkin as a guerrilla base eventually reinforceable from Commu China; the Geneva agreement of 1954 added all of Vietnam down to 17th parallel, opening Laos and Cambodia to penetration; the Ge agreement of 1962 committed all non-Communist authorities (inclu those of Laos) to refraining from reconnaissance of northern and eas

Laos and thereby freed the Ho Chi Minh trail for guerrilla reinforcement in Cambodia and South Vietnam; the Paris agreements of 1973 gave ICP forces the right to camp undisturbed all down the western flank of South Vietnam and on four-fifths of the territory of Laos. All the ceasefires after 1946 included arrangements for international supervision of their observance, feeble on the Communist side, robust on the non-Communist; all were described in Hanoi as 'springboards for further advance,' and in January 1973 Giap issued an order of the day calling on the troops to use the peace for retraining with heavier weapons. The ICP has never negotiated a political compromise: its ultimate dictatorship was a foregone conclusion—only the rate of progress was negotiable. Ex-President Nguyen Van Thieu's proposal in 1973 to settle the future of South Vietnam by straightforward elections was rejected by the ICP, which insisted on its ingenious *troika* formula—an election-holding Council of National Reconciliation, consisting of the elected Government of South Vietnam, the Communist military command in South Vietnam, and a 'neutralist' third force which the Party would set about creating.

Cold-War détente

The reason why President Nixon could not stick to his mines, as it were, in December 1972 was in part the public belief that the Truman doctrine, even watered down into the Guam doctrine, stood in the way of Cold-War détente; the press did not give thought to the Zhdanov line, even though the Russians had declined to sacrifice national liberation to détente on their side. For centuries, Chinese governments have reckoned their state to be at some risk if there were not regimes amenable to their own in neighbouring states; the Vietnamese traditionally accepted this subordination in regard to China while themselves behaving analogously towards Laos, Cambodia, and Champa (until they annexed it). Ho Chi Minh courted Chaing Kai-shek with protestations of an anti-Communist, Sun Yat-sen, ideology, but brought the ICP out into the open again after Chiang's defeat. It has been tacitly accepted in international relations, at least since General MacArthur's dash to the Yalu, that, though Communist advances by force may be resisted with force, once territory in any part of the world passes under CP rule it would be wrong to apply force to disturb the status quo; Dulles acknowledged the principle in his closing statement at Geneva in 1954. Peking dare not tolerate a non-Communist regime in Tonkin, and consequently unification, whether of Vietnam or of all Indochina, must be under ICP rule. This has been the cardinal fact in the conflict ever since 1949, when the French army evacuated the Tonkinese frontier posts. After each ceasefire, the ICP's new territory has been immune to invasion whereas it could be used for the next penetration; the 'domino theory' is another way of stating the 'stage-by-stage' strategy. The failure of President Johnson's

bombing to do more than hamper ICP offensives in Laos, Cambodia, a South Vietnam resulted from constraints against pressing it to the pc of threatening the survival of the Communist government in Hanoi; 1965, Peking pre-empted any such threat with one of its own. At Chr mas 1972 the mining of Haiphong may have found the fine point escalation which had eluded President Johnson, but American pul conscience—troubled, in addition to its other anxieties, by stories civilian victims—obliged the Pentagon to relax the stranglehold. Pek and Moscow were under no such public control, otherwise Washing might have put détente to the test of a three-power agreement to lii arms supplies.

Economic and psychological warfare

The ICP has qualified for arms supplies from fraternal countries, ca paign by campaign, only when its forces, guerrilla or conventior demonstrated that they had a good chance of winning and keeping i source, if not secret, plausibly deniable. (The Party counted heavily captured weapons at various times, but their usefulness was limited supplies of the right ammunition; there was some improvization village gunsmiths, but that too had limits.) Hanoi bought Sihanou connivance in the flow of Russian arms from 1965 to 1969 to South Vi nam through Cambodia by letting him retain a share; that he did not it to improve the training and operational capability of his 34,000 n against the Vietnamese Communists was one of the grievances behind overthrow. One might have expected that the overtness with which ICP disregarded restrictions on re-supply written into the 1973 Vietn ceasefire would spur the American public to protest and counteracti the opposite happened. As the North Vietnamese army used its new ba for dispatching agents into government-held territory to buy paddy and otherwise undermine the South Vietnamese economy, American public became less, not more, willing to make good the grow deficit. Prices rose as army pay fell into arrears. The world oil cri which, thanks to a new Ho Chi Minh pipeline and unlimited flow fr China, did not affect the Communist forces, was the last straw. The i of the defence in guerrilla warfare is always demoralizing: the defen wait to be struck but can only strike back at the empty air. Once unit tion had been conceded in the ceasefire, the defenders were fighting to cut losses—not with any prospect of ever going forward again. ' ICP monthly, *Hoc Tap* (for January 1975), admits that the outgun South Vietnamese defences were bombarded with increasing seve during 1974 expressly in order to sap morale. Renewed mortaring of towns was presumably designed to make the citizenry more ready to the elusive 'third force' out of war-weariness; surprisingly, moun opposition to President Thieu still took the form of demands for n

effectual resistance to economic and military attack. In Cambodia, where the ICP had refused a ceasefire all through 1973 and 1974, the economy was similarly used to demoralize the army, and the fighting followed a parallel course; but even though the US Congress had set a date, 30 June 1975, for the ammunition to stop arriving, the Khmers fought on till overwhelmed. The lines broke in Vietnam when spares and ammunition began to dry up and the High Command gave an order to fall back to unprepared positions: troops, whose generals had never betrayed them into changing sides as Chiang Kai-shek's generals betrayed theirs at the end of Mao's People's War, now panicked with the civilian population round them, and Saigon surrendered.

The destiny of the conquered

It has been suggested that bigger concessions made to the ICP earlier would have resulted in less extreme conclusions—in coalitions and compromises. This is to misunderstand 'national liberation': the issue was always proletarian dictatorship and a collectivized economy under ICP leadership or the utter defeat of the Party. Like Mao, Ho despised Tito. Was it better to give way before the bloodshed than after? If so, at what point in Giap's escalation? We can see now that hope of resistance became unreasonable when American determination faltered; but that was the moment, before the overthrow of Sihanouk and the Communist attack on Phnom Penh, of highest resolve of all the three peoples whose destiny was at stake, namely the 1968 Tet offensive. What constitutional form that destiny will take rests with the ICP alone to decide: it is now the most powerful military force that has ever arisen in South East Asia, and no state outside the Communist world can challenge anything it does. For the moment, South Vietnam and Cambodia are occupied enemy territory: the only law in force is the will of the Commander-in-Chief. Unification of Vietnam is written into the 1973 ceasefire; the Revolutionary Governments, whose jurisdiction over Cambodia and South Vietnam certain states have recognized previously, have consisted solely of their peripatetic envoys abroad, and one may wonder whether there can be any point in endowing them temporarily with more than provincial powers. Sooner rather than later, amalgamation of all Indochina into a mini-USSR looks probable: three states but one Party, which will itself be our only source of information on what the masses feel about the matter.

Europe and the Third World after Lomé

CLAUDE CHEYSSON

The new pattern of relations between the Common Market and the developing countries owes much to Britain's participation in the recent negotiations; but Britain in turn needs the larger and more powerful EEC framework to make her influence felt in the world.

THE Convention which was signed in Lomé on 28 February between t European Community including all its nine member states on the o hand and 46 developing countries including 23 from the Commonwea' on the other bears on all aspects of their relationship. An important p of the new agreement is devoted to financial and technical aid; t Community has undertaken to provide the 46 African, Caribbean, a Pacific countries (ACPs) with 3·5 billion units of account—that roughly, £1,900 m. over the next five years. This is not a negligi figure: it represents 20 per cent of the American aid to the develop world. Nor is it insignificant that, in spite of the present economic c ditions, Europe in one decision increased its public aid to the Third Wo by 18 per cent.

What should be stressed particularly is that in this financial aid p gramme we insist that the programming decisions be taken by the de loping countries themselves and not by us. We do not hold that devel ment in those countries should be decided upon in Brussels any m than in New York or in Rome; it should be decided by every countr its own place, and within its own development programmes. We t pride in the fact that this aid is extremely flexible in its procedures. only can we cover the normal infrastructural development like any k of bilateral aid, but we can enter into ventures which normally would be subsidized by bilateral or multilateral aid: for instance, the promo of small enterprises and co-operative societies through developm banks or development corporations of their own; covering equity ca of ventures in which the governments of developing countries may v to participate; and regional projects which are meant for more than country.

But financial aid by itself is not original; what is important

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significant in the new Convention is that, as the British did in the Commonwealth, we link financial aid with the other aspects of development aid, and in particular with trade promotion and trade access. A new nation is like a young man. To develop it needs money, but mostly it needs training and access for its production, so that it can develop by its own means, promote production, and plan its development with a guarantee of access. This is what we try to do by applying the general principle of duty-free access to the Common Market. The preference that we give to the 46 countries is larger than the preference that the United Kingdom was giving to its Commonwealth partners: it means duty-free access for 99 per cent of their exports to Europe and, moreover, covers the whole of the Common Market instead of only the British market.

Beyond this, two completely new aspects of the Lomé Convention should be stressed. The first one is the so-called stabilization of export earnings. To put it very simply, should Ghana's earnings for her cocoa exports to the Nine in 1978 be lower than during the average previous four years, we undertake to pay the difference. This is, of course, very important for the developing countries, because it covers them against the sudden shortfalls in their export earnings due to changes on the world market or to natural conditions. It is important mostly for those countries with one export only, and unfortunately this is the case for many of the former colonial territories. It means that they can plan development knowing that they have a minimum earning. This right to compensation, to a minimum earning, is as important in principle for them as was the recognition at the beginning of our century that workers in our own societies had a *right to be compensated* if they were unemployed or sick. This is of great significance for the future relationship between developed and developing countries.

The sugar deal

It is with regard to sugar, however, that the scheme is boldest. Taking up exactly where the Commonwealth Sugar Agreement left off, we have decided to guarantee access to our market, as well as guarantee the purchase of a certain tonnage of their production against the guarantee of supply. On top of that, we resolved that there would be a guaranteed minimum price: if they can sell on our market at a better price than the floor price, well and good; but if they cannot, due to the world market situation, we guarantee a minimum price which will be the same as we pay to our own producers. In the light of the fact that half of the sugar in the world is produced in industrialized countries and half in developing countries, the scheme now contracted is extremely important for ensuring a proper division of labour in this field, i.e. for promoting production where it will be most economic, be it in our own countries or in theirs.

Industrial co-operation is an important head in the agreement in as as the industrialized countries undertake to support the developing cou tries' efforts for industrialization. What exactly does that mean? It is r only a statement by governments; it involves the use of every tec nical/financial/trade aid system to see that their industries can promoted and developed through the combination of all these means is also a matter of ensuring that the new countries will be put in dir touch with those that can take direct responsibility in industrial develo ment: not only governments or officials, but also companies, operat bankers, industrialists, etc.; direct contact also with those who co resist such development and oppose the transfer of industries to n countries, that is, the representatives of the workers, the trade unio I consider that this is one of the most important aspects of the Lo Convention. We have built up the machinery, the means for these n countries to enter into direct contact with all the political, economic a social forces which in fact run industrial development in our own cou tries.

The kind of policies outlined above are bound to have a direct imp on our own internal policies: the money that we give to the develop countries will not be available for our own development -that is obvi - but it goes far beyond that. If there is development in their agricultu this may enter into direct conflict with some of our own agricultu developments. If there is industrial development, this may conflict wi our own industrial development, in particular with regard to the poor regions and areas of our own countries. So that means - and this is a aspect which the British have understood for a very long time, but wh unfortunately many industrialized countries have not that if we are earnest about wanting to help these countries to develop, we must reali that the development aid policies to be pursued will be part and parcel our general policies, and not a separate part of our action. It is no 'Sunday charity' which is needed, it will have to be thought of every d and in every aspect of our lives. That means that it will not only be a pro lem for the governments, for the diplomats, and for the speciali Everyone in our countries should be involved- our parliaments sho be directly associated because they represent the people and pu opinion; trade unions have to be associated or they will resist t kind of development; the same goes for our farmers' unions, our yo movements, our press. Development aid should become a central par our policies or it will be just the kind of charity that we were offering workers in the nineteenth century.

Unprecedented agreement

The Lomé Convention is based on this extremely important assun tion. Therefore the institutions provided for by the Convention are

only the Council of Ministers (meeting between governments), but also a Consultative Assembly on a parity basis, with 46 members of the European Parliament (i.e. representatives of the national parliaments of the Nine sitting in Strasbourg), plus 46 representatives of the developing countries' public opinions, and also a committee for industrial development, ad hoc groups with operators, bankers, trade unionists, etc.

These features of the Lomé Convention are unprecedented and unique. It is the first time that such a comprehensive approach to the problems of development has been agreed by industrialized countries with regard to such a large number of countries. It is unprecedented also because the whole of Black Africa has stood together, and this is politically extremely important at a time when developing countries have learned the lesson of the oil crisis that unity makes strength. Until now, this unity was expressed mostly in aggressive and sometimes negative approaches to the problems in our relationship. This time the whole continent stands together, but in a co-operative effort with the European Community.

This policy, however, should not be isolated. The EEC's intention is not to limit its approach to these ACP countries. We are in the process of negotiating similar agreements, albeit state by state, with most of the Mediterranean countries - Israel, the Mahgreb, Jordan, Egypt, Syria, and Lebanon. We intend to have more discussions with the Arabs within the Euro-Arab dialogue, because we think that it is between Europeans and Arabs that interdependence appears most clearly now, and because the very basis of the Lomé Convention is the idea that interdependence would be systematically organized. But we also intend to go beyond that. Following the Declaration of Intent, we have entered into special trade and co-operation agreements with the Commonwealth countries in Asia - India, Pakistan, Bangladesh, to be followed soon by Sri Lanka. The Community is very proud to have been the first big industrialized group in the world to enter into a so-called general system of preferences through which we offer the '77', which means every developing country in the world, duty-free access for industrial products up to certain limits, limits that are quite impressive. Should this work for all the facilities given, it would represent something like £1,500 m. in a year. We intend to go further, in particular in the forthcoming Gatt negotiations. Finally, we have proposed a rather impressive finance programme on the Community Budget.

The Preamble of the Lomé Convention, signed by 55 countries, states that we hope to have created a new pattern for the relationship between industrialized and developing countries. We may indeed have done this and given an example which could be followed elsewhere. It has to be followed elsewhere, because nine industrialized countries alone cannot solve the problems of the relationship with the developing countries. It is only at world level that this problem can be properly approached,

through UN-sponsored decisions and a direct relationship between ev *industrialized country and other developing countries.* This means *approach in a co-operative spirit. It is essential that co-operation* sho *be the keyword in our relations with the Third World, and I am* alw *very downcast when I hear of a number of developing countries, but* som times also of leaders in industrialized countries, who seem to be m anxious to view our future relationship with the developing countries a spirit of confrontation. It took years before the Iron Curtain betw East and West became less rigid. It is not the time to have a new Ir Curtain between North and South. Anyway, we Europeans cannot aff it. We have only a limited economic space, which means that we dep on our imports of raw materials, on our external markets (and some of t fast expanding external markets are in developing countries), and som times on imports of labour. We cannot afford to have breaks, fluctuatio sudden changes in our external economic relations. From a geo-polit standpoint, the conditions are different in the large economic states. T United States as well as the USSR can do with limited external econo relations; they can risk a crisis in their external economic relatio We cannot. Britain has known that for a very long time, but the co nental Europeans are in a similar position. We must have co-operati we must enlarge our economic space. In the nineteenth century we tr to deal with such problems through the colonial adventures. That ti is over, but the needs, the requirements, which were largely the basi the colonial adventures, are still there. We need to have permanent c solidated relations with the Third World, and in particular with so countries in the Third World.

Britain's role

I would like to stress that in this approach the British have a v important role to play. This was obvious in the Lomé Convention, si 23 out of 46 countries among the ACPs are Commonwealth countr They bring with them the past and the experience of the training whic the result of their work with the British for so many years. Britain's p sence has made them different in some respects from their neighbo The British have given more importance to economic development commercial activities, to banking structures, they have been particul attentive to labour problems, labour regulations, labour control, tr union development, community development, and their judiciary tem is more developed than in neighbouring countries. A visitor to of the African countries knows as soon as he gets there whether French-speaking or English-speaking without a word having to be s simply by their different structures, systems, approaches. Through association between former British colonies, present Commonwe countries, and former colonies of other countries, Britain's influence

thus be directly seen and felt within the general development. Indeed, the negotiations, which we have just concluded, would have been quite different had it not been for the British. It will be recalled that when they started, there was more than reluctance, there was opposition to negotiating with all the African countries together. Among the latter, there was a certain suspicion of the so-called Yaoundé Convention which had been concluded between the Six of Europe and the former French, Italian, and Belgian colonies. But among the Europeans, too, some were very much opposed to having a common discussion with the whole of Africa—with people of different training, with a different approach, and who would feel stronger in that they were united. It is due to British insistence, not only when Protocol 22 was agreed but especially when the negotiations started, that they were made possible, and that what is unprecedented and unique in them could be accomplished.

With regard to the negotiation itself, there were many aspects on which agreement would never have been reached but for British intervention. Sugar was a clear case, from the very first day (already before the last General Election), when it appeared that the British Government would stand for the guarantees to be given to the Commonwealth sugar producers and that it would prefer not to conclude that agreement rather than give up the interests of its partners. This line has been followed very consistently by both the Conservative and the Labour Governments responsible and with the success already mentioned. This was true also of the stabilization system. Some of the European governments were very much against it, or rather they were against what was new and original in the system. They were ready to give more financial assistance, more 'Sunday charity', rather than enter into a system which in itself leads to a different approach to the raw material and commodity problems. It is due to the British that we were finally able to succeed.

But Britain alone could not have done what we accomplished in Lomé. This has been stressed, in particular by the UK Minister responsible for the negotiation, Mrs Judith Hart. Britain could not have done it alone because the burden was too heavy, because the British market, though important, was not as large as the European Common Market, and also because some of the methods described above are by nature methods that can be used only by a number of countries acting together. The very important lesson to be learnt from Lomé is that Britain, whatever her concern for her Commonwealth partners, could not have achieved it by herself, but that Europe would not have accomplished it either without Britain in the Common Market.

This leads me to other themes, because I feel that we in the Common Market need Britain as much as Britain needs the Common Market to achieve the full dimension of her justified ambitions. In terms of external relations, we want to have similar agreements with the Mediterranean;

and we want to have a Middle-Eastern policy, a policy which we have not got now, in a region where British, French, and others have been very much present in the past, but where they are almost completely absent now. Who could imagine that such a policy would be possible without British experience, without the interest of British companies, of British economic development?

This remains true also at world level. The British have always stood—it is part of their nature or their vocation—for free world trade. It is very important that their influence should be felt in the Gatt negotiations and at all levels when world trade is discussed. The Community needs Britain if it is not to become over-continental. Britain's presence is a vital factor also in the EEC's relations with other important powers. The British are very anxious to keep on good terms with the United States. So are we. But when the United States seems to show no sign of long-term policies because of a weak executive, it will be up to her partners, the Community, to propose such policies. We in Europe can do this. But we will do it far better if the British, the old faithful partners of the United States, are part of the Community. Britain in turn will do it better if she is supported by the weight of the Continent in her discussions with the Americans.

It is the same as regards Europe's internal development. One of the great weaknesses of Community development over the last few years has been that policies have been isolated from one another. We have had a common agricultural policy, which was extremely successful for the products of the best endowed regions, but which took no account of those regions that would not derive profit from increased productivity. It was therefore essential that a policy of regional development should complement such a common agricultural policy. This was proposed by Britain and an agreement was finally reached between the Nine; although it was supported also by others, I doubt that without Britain we would have the regional development policy without which the Common Agricultural Policy would have remained shocking and unacceptable for those areas that suffer from the development of the richest parts of Europe.

Exactly the same can be said about social policies. In the great progress made by industry in Europe, due to the size and very existence of the Market, we have not paid enough attention to those who do not derive direct profit from such programmes, in particular the working class. We must ensure for the working class a larger share in the profit derived from the Common Market, a larger share in financial terms, but above all a larger share in the social rights, in the quality of life within the enterprises and the companies. I believe that the British, with their very strong trade union organization, with the stress that they have put on social policies since the end of the Second World War, have a very important role to play in the Common Market in that respect.

Finally, I would like to stress another aspect of European development where the British are badly needed. One of the difficulties at the present stage is that the authorities running Europe lack legitimacy. The European Commission, which is the executive body and has the right of initiative, derives its legitimacy from its appointment by the nine governments (but that is indirect), and from the support that it receives from the press; but it should find it through its responsibility before the European Parliament. The European Parliament has a very important role to play in giving legitimacy to the European decisions to be taken over the next few years. It is only if Europe can be run democratically that it will have the chance of the kind of progress in which we are interested, of the kind of progress where national sovereignties will not be damaged, but will be served by the common work of the nine European nations. That must be expressed otherwise than through facts, reports, or balance sheets. It must be expressed through the normal democratic means of action, control, and inspiration. The European Parliament should fill this role; that means that not only in its mode of election but in its methods of work, it should be the expression of the people, and be close to them. Is there another country amongst the Nine where we can find a better example of the democratic process in action than Britain, where democracy has been expressed through Parliament over many centuries? There is not. We need the British to make Europe more democratic than it has been until now, to make it less the thing of businessmen who derive direct profit from it— admittedly a very important profit for the whole of Europe— and more a reality deserving wide popular support.

In these pre-referendum days, when there is much talk about the impact of the Community on Britain and British interests, I thought it timely to stress the other aspect which is the interest Britain holds for Europe and for its 250 million inhabitants (maybe 300 million tomorrow, because there are new countries which are finding liberty now, and which are anxious to join the Community one day). These 250 or 300 million inhabitants need the British presence in the Community. And Britain, who has always had world ambitions and interests far beyond her borders, should not give up that kind of aspiration; she should realize that her ambitions will be served together with those of her partners in the Community, provided she is active and present everywhere in this Common Market.

Search for new relationships in the Indian subcontinent

A. G. NOORANI

How the debris of a war is cleared and the structure of peace is raised always makes a fascinating study.[1] The South Asian subcontinent is engaged in an exercise of this nature today: trying to clear the ruins of the December 1971 war, to work out the Simla Agreement of 1972, and to build a new relationship. The work on the normalization of relations between India and Pakistan is not an altogether new experience for their leaders; the subcontinent went through a similar cycle in the September 1965 war and the restoration of the status quo ante bellum by the Tashkent Declaration of 1966. This time, however, the process is more complicated because of the birth of a third state, Bangladesh, as a result of the war, and because the revolution of rising expectations has affected the diplomacy of the three states, especially India.[2]

To the usual question of return of territory was added an enormous humanitarian problem of several dimensions—Pakistan's 90,000 prisoners of war, the trial by Bangladesh of those among them who were charged with committing war crimes, the Bengalis in Pakistan, and the non-Bengali minority in Bangladesh commonly referred to as the Biharis. Immediately after the end of the war India made it clear that what she sought now was 'a durable peace' on the basis of 'the reality that Bangladesh has come to stay'. Her terms, which were spelled out gradually, added up to a package deal whereby Pakistan accepted the status quo not only in regard to Bangladesh but also in regard to Kashmir

The Simla summit

Mrs Gandhi and Mr Bhutto met at Simla on 29 June 1972 on the basis of the compromise reached by their representatives at Murree the previous April. But deep differences of approach still divided them. Each side had reversed its stand of former years and adopted the other's. India now insisted on a complete settlement, including the Kashmir question, in the

[1] The problems of organizing a legitimate order after the defeat of Napoleon are the subject of Dr Henry Kissinger's doctoral thesis, *A World Restored.*

[2] See 'The USSR as peacemaker: Tashkent and after', *The World Today*, February 1966; W. Klatt, 'The Indian subcontinent after the war', *ibid.*, March 1972; and William J. Barnds, 'The Indian subcontinent: new and old political imperatives', *ibid.*, January 1973.

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way Pakistan did before 1971, while Pakistan adopted the old Indian stand of approaching the problem 'step by step'. The Agreement signed on 3 July reflected the readiness of both sides to compromise. It fell, broadly, into four parts: paragraphs 1 and 2 embodied what may be characterized as the rules of conduct. India's insistence on a No-War Pact, to which Pakistan had long demurred, and to a ban on outside interference was met with a formula that 'the two countries are resolved to settle their differences by peaceful means through bilateral negotiations or by any other peaceful means mutually agreed upon between them' and by the renunciation of threats or use of force against each other 'in accordance with the Charter of the United Nations'—roughly, the Tashkent formula. Paragraph 3 outlined the 'step by step' measures to be taken for the normalization of relations, such as the resumption of communications, travel, trade, etc. Paragraph 4 concentrated on the immediate troop withdrawals by both countries 'to their side of the international border'. The provision in regard to Kashmir was of crucial importance. It said:

> In Jammu and Kashmir the line of control resulting from the ceasefire of 17 December 1971 shall be respected by both sides without prejudice to the recognized position of either side. Neither side shall seek to alter it unilaterally irrespective of mutual differences and legal interpretations. Both sides further undertake to refrain from the threat or the use of force in violation of this line.

Like the formula adopted in the August 1970 Treaty between the USSR and West Germany, this amounted to an agreement to respect the territorial status quo without according it juridical recognition. A distinction was also made between the international border between India and Pakistan and the ceasefire line in Kashmir. Moreover, the latter was now recognized afresh as 'the line of control', thus implicitly abandoning the ceasefire line resulting from the Agreement of 27 July 1949. Finally, the two Heads of Governments agreed to confer again directly and through their representatives,

> to discuss further the modalities and arrangements for the establishment of durable peace and normalization of relations, including the questions of repatriation of prisoners of war and civilian internees, a final settlement of Jammu and Kashmir, and the resumption of diplomatic relations.

The troop withdrawals were to be completed within 30 days of the ratification of the Agreement. On 31 July India's Foreign Minister said in Parliament, however, that it was on Pakistan's acceptance of the principles for the establishment of the durable peace and the line of control resulting from the 1971 war that India agreed to the withdrawals of troops to their respective side of the international border. 'Action regarding withdrawals and the delineation of the line of control in Jammu and Kashmir will have to be taken simultaneously', he pointedly added. This

was, perhaps, a necessary corollary to the Simla Agreement; but the latter, concluded in haste, did not contain any such provision. Pakistan initially demurred but agreed to go along with the delineation of the ceasefire line. After two meetings of the military commanders it became clear that the two sides were divided in their view of the new line. Pakistan regarded it as a revival of the old line with the 1971 changes, while India saw it as a new line altogether. Rather than lose the momentum generated by the Simla Agreement, Mrs Gandhi entered into correspondence with President Bhutto and, as a result, officials of the two Governments met in Delhi from 25 to 29 August and agreed that the line of control resulting from the ceasefire of December 1971 'will be delineated along its entire length. . . Maps showing this line will be exchanged by both sides'.[3] (The officials also arrived at an agreement on the resettlement in Sind of members of the minority community displaced as a result of the war.) The deadline for the troop withdrawals was extended to 15 September.

But the military commanders once again found themselves deadlocked over a new issue. It involved Thakurchok, a village no larger than two square miles in area, but situated on the stretch of the West Pakistan-Kashmir border as also east of the line of control. While India argued that this was a part of the international border, Pakistan, who had occupied a somewhat larger area in the Chhamb, probably feared that acceptance of this sector as part of the international border might entail her withdrawal from the Chhamb area as well. Once again Mr Bhutto made an issue of a small point having much larger implications, and lost. Finally, the Chiefs of the Army Staff of India and Pakistan met at Lahore on 7 December and agreed that delineation was 'to commence from the Chhamb sector and end in the Turtok sector (Partappur sector)'. Four days later the senior army commanders signed 19 maps delineating the line of control along its entire length.[4]

The problem of the prisoners

The troop withdrawals envisaged in the Simla Agreement having been completed at the end of 1972, the main issue on the agenda in the next phase of the negotiations was the resolution of differences over the return of the prisoners of war. India, who had the custody of the POWs, was placed in an unenviable position. On a strict interpretation of the Geneva Conventions of 1949, she was bound to consent to their return as soon as the hostilities had ended. But she had to reckon with the demands of Bangladesh. India's argument was that, as the Pakistani troops had surrendered to a joint command of India and Bangladesh, the latter was very much a party to any negotiations concerning their fate. Mr Bhutto did try

[3] *The Hindustan Times*, 30 August 1972.
[4] For details of the line, see *The Times of India*, 13 December 1972.

seek a dialogue with the Prime Minister of Bangladesh, but Sheikh Mujibur Rahman insisted on Pakistan's recognition of Bangladesh as a pre-condition to any negotiations.

Besides the return of the POWs, there were the questions of trial of those among them whom Bangladesh accused of war crimes, the return of Bengalis in Pakistan to Bangladesh, and of the Biharis to Pakistan. Sheikh Mujibur Rahman estimated that the number of Biharis who would opt for transfer to Pakistan would be about 750,000.[5] Mr Bhutto on his part made it clear that the trial of POWs by Bangladesh would mark 'the point of no return'; as regards the Biharis, he said that it was the duty of Bangladesh to protect its minority. While the leaders of India and Pakistan exchanged letters early in 1973, there were signs of movement in their respective positions. On 21 January the Indian Foreign Minister stated that the repatriation of the POWs could be settled without recognition of Bangladesh, provided that her concurrence was obtained—a difficult task which Mr Bhutto did not make easier. At the Simla conference he had assured Mrs Gandhi that Pakistan would recognize Bangladesh in August, an understanding confirmed by a Pakistani Foreign Office spokesman who told the press that the subject would be taken up after ratification of the Simla Agreement by the Pakistan National Assembly in mid-August.[6] But the August session came and went without any sign of Mr Bhutto carrying out his assurances.

On 26 August 1972 China vetoed in the Security Council Bangladesh's application for membership of the United Nations on the ground that Bangladesh and India had not carried out the Security Council's resolution of 21 December 1971. It soon became clear that Pakistan was going to link recognition with the return of the POWs and the abandonment of Bangladesh's plan to try some of them on charges of committing war crimes. While a Pakistani diplomat in Washington hinted that his country was prepared to exchange the 400,000 Bengalis for all but a few hundred of the 90,000 Pakistani prisoners of war,[7] Sheikh Mujibur Rahman offered to exchange the Bengalis in Pakistan for some 265,000 Biharis in Bangladesh who, he said, had indicated a wish to go to Pakistan; the release of the Pakistani POWs, he insisted, was contingent on Pakistan's recognition of Bangladesh.[8] Meanwhile the UN Secretary General, Dr Waldheim, who visited the subcontinent and discovered the limits of UN intervention in the situation, asked all the parties to confer again, as India and Pakistan had done at Simla.

Anxious to break the impasse, India persuaded Bangladesh to join her in extending a new offer to Pakistan. The joint declaration of 17 April 1973 expressed the readiness of India and Bangladesh

[5] See *The New York Times*, 21 February 1972.
[6] *The Hindustan Times*, 4 July 1972. [7] See *The Hindu*, 29 February 1973.
[8] Interview with Michael Hornsby, *The Times* (London), 10 February 1973.

> to seek a solution to all humanitarian problems through simultaneous repatriation of the Pakistan POWs and civilian internees, except those required by the Government of the People's Republic of Bangladesh for trial on criminal charges, the repatriation of Bengalis forcibly detained in Pakistan, and the repatriation of Pakistanis in Bangladesh, i.e. all non-Bengalis who owe allegiance and have opted for repatriation to Pakistan.[9]

In her reply three days later, Pakistan outlined her stand on the issues involved and invited the representatives of India to Islamabad for clarifications. Representatives of the two Governments met in July in Rawalpindi and the following month in New Delhi, where they signed an agreement on 28 August for the simultaneous repatriation of all but 195 Pakistani POWs and the repatriation to Bangladesh of all Bengalis in Pakistan. Pakistan agreed 'initially to receive a substantial number of such non-Bengalis from Bangladesh' who were 'stated to have opted for repatriation to Pakistan'. The time schedule for the completion of the repatriation of these three categories was to be worked out by India in consultation with Bangladesh and Pakistan. Bangladesh agreed that the 195 POWs would not be put on trial while the process of repatriation took place. Two sets of negotiations were envisaged; one, between the Prime Ministers of Bangladesh and Pakistan 'to decide what additional number of persons who may wish to migrate to Pakistan may be permitted to do so', and the other, at the very end of the process of repatriation, among all three countries to discuss and settle the question of the 195 POWs. The agreement recorded Bangladesh's concurrence and also noted her position that she would participate in both the negotiations 'only on the basis of sovereign equality.'[10]

But the agreement did not mark any basic change in Pakistan's stand on the recognition of Bangladesh. In July Mr Bhutto had fortified himself with a resolution of the National Assembly to accord de jure recognition to Bangladesh 'at an appropriate time'. He had also sought the Supreme Court's opinion on the validity of such a resolution. Earlier in May Pakistan had urged the International Court of Justice at the Hague to restrain Bangladesh from trying any of the Pakistani prisoners of war. The Court ruled on 14 July by 8 votes to 4 that the question of jurisdiction should be tried first. Addressing the UN General Assembly on 20 September, Mr Bhutto declined to recognize Bangladesh until all the prisoners of war, including the 195 named for war crimes, had been released and repatriated.

The implementation of the Delhi agreement on the three-way repatriation of personnel began in earnest on 19 September, but progress

[9] *The Statesman*, 18 April 1973.
[10] For the full text of the Agreement see *The Times of India*, 30 August 1973.

was halting. The 'substantial number' of Biharis whom Pakistan had agreed to receive covered four classes: (i) persons of West Pakistani domicile, (ii) Central Government employees and their families, (iii) persons belonging to divided families regardless of their domicile, and (iv) a total of 25,000 persons categorized as 'hardship cases'. Pakistan arbitrarily fixed the total number of repatriates at a mere 52,000. The remaining 22,000 of the 74,000 people accepted under the Delhi agreement a Pakistani Foreign Office spokesman claimed, were those who had fled via Nepal and were returning to Pakistan.[11]

Meanwhile India's Note to Pakistan on 31 December 1973 proposed talks to discuss the other steps in the normalization measures set out in the Simla Agreement. Pakistan's reply, received on 15 February, agreed to discuss only the restoration of postal, telegraphic, land, and sea communications, but not the overflights and exchange of delegations in cultural and scientific fields which India had suggested.

Reconciliation at Islamic summit

The remaining impasse over the recognition of Bangladesh was resolved deftly by Mr Bhutto at a moment when he could do so with a minimum loss of face. A seven-member mission appointed by the Islamic summit conference at Lahore flew to Dacca on 21 February 1974 charged with the task of promoting a reconciliation between Pakistan and Bangladesh. Though the trial of prisoners of war seemed no longer likely more than two years after the events, Bangladesh was understandably reluctant to give a formal undertaking. On 22 February Mr Bhutto announced his country's recognition of Bangladesh without mentioning any conditions. In return Bangladesh recognized Pakistan, and Sheikh Mujibur Rahman participated in the Islamic conference at Lahore and had talks with Mr Bhutto.[12]

The prime hurdle cleared, representatives of the three States met at Delhi where after a week of hard bargaining an agreement was signed on 9 April 1974. India undertook to send back the remaining 6,500 Pakistani POWs and civilian internees by the end of the month and Pakistan the remaining Bengalis. In regard to the Biharis, Pakistan 'reiterated that all those who fell under the first three categories would be received by Pakistan without any limit as to numbers'; clearance for 25,000 persons who constituted 'hardship cases' was in progress, and cases of rejection under these categories would be reviewed. Responding to Pakistan's expressions of condemnation and regret and to her appeal to the people of Bangladesh 'to forgive and forget the mistakes of the past in order to promote reconciliation', Bangladesh agreed not to proceed with the trial of the 195 POWs 'as an act of clemency'. The agreement took note of Mr

[11] *The Statesman*, 2 November 1973.
[12] See Vijay Saroop, 'The Islamic summit', *The World Today*, April 1974.

Bhutto's declaration that he would visit Bangladesh in response to the invitation of her Prime Minister.

At the same time India and Pakistan signed an agreement on the release and repatriation of persons detained in either country prior to the conflict of 1971, and a joint communiqué reviewed the progress of normalization of relations between them as envisaged in the Simla Agreement. It was agreed that the time had come for the exchange of delegations to discuss the implementation of normalization measures envisaged in paragraph 3 of the Simla Agreement.

India's nuclear explosion

Talks about these measures were scheduled to take place on 10 June when a new factor intervened: on 18 May the Government of India announced that it had 'carried out a peaceful nuclear explosion experiment using an implosion device' at a depth of more than 100 metres. The same day Mrs Gandhi categorically stated that India was firmly committed only to the peaceful use of atomic energy. Pakistan's Prime Minister reacted sharply. Addressing a news conference the next day at Lahore, he characterized the explosion as a 'fateful development' and a 'threat', declaring that Pakistan would never accept 'the hegemony of India in the subcontinent' following her nuclear explosion. He also called upon the permanent members of the Security Council to give a guarantee of protection to non-nuclear states against a nuclear attack or threat of an attack.

Mrs Gandhi tried to allay Pakistan's fears in a letter to Mr Bhutto on 22 May:

> I am aware that in popular parlance a nuclear explosion evokes an awesome and horrifying picture. However, this is because our minds have been conditioned by the misuses of nuclear energy for the development of weapons in Hiroshima and Nagasaki. We in India have condemned and will continue to condemn military uses of nuclear energy as a threat to humanity. However, the development of the peaceful use of nuclear energy, rather than posing a threat, provides a ray of hope for mankind, faced as it is by the spectre of dwindling energy resources.

Mr Bhutto, unconvinced, replied on 6 June:

> It is well-established that the testing of a nuclear device is no different from the detonation of nuclear weapons. Given this indisputable fact how is it possible for our fears to be assuaged by mere assurances which may in any case be ignored in subsequent years. Governments change as do national attitudes. But the acquisition of a capability, which has direct and immediate military consequences, becomes a permanent factor to be reckoned with. I need hardly recall that no non-nuclear weapon state, including India, considered mere declarations of intent sufficient to ensure their security in the nuclear age.[13]

[13] For the full text of both the letters see *The Statesman*, 9 June 1974.

Already on 1 June New Delhi had received a communication from Islamabad to the effect that in view of 'the shock to the people of Pakistan' caused by the Indian nuclear test explosion, the negotiations on the resumption of communications would have to be postponed until the requisite guarantees for security were obtained and 'a more favourable atmosphere prevailed'.[14]

Far from improving, the atmosphere deteriorated. Charges and counter-charges culminated on 15 June in the Indian Foreign Minister's protest against Mr Bhutto's remarks in the Pakistan National Assembly on 7 June, which he characterized as gross interference in India's internal affairs. In his reply, Pakistan's Minister for Defence and Foreign Affairs, Mr Aziz Ahmed, took advantage of Mr Swaran Singh's rather conciliatory tone to demand further assurances. The correspondence took a more hopeful turn as Pakistan's quest for a nuclear guarantee from the permanent members of the UN Security Council met with even less success than India's a decade ago.[15] Finally, agreement was reached to resume the talks at Islamabad on 12 September without any pre-conditions, confining them strictly to the restoration of postal and telecommunication links and travel facilities: by the middle of October postal and telecommunication links were re-established after a break of nearly three years. This was followed by the news that Pakistan had invited India to send a delegation for talks on the resumption of overflights and civil aviation and had accepted India's invitation for discussions on the resumption of trade. On 30 November 1974, the two countries signed a protocol in Delhi to end their decade-old embargo on trade (with effect from 7 December), and a further agreement on trade was signed at Islamabad on 23 January 1975, along with a memorandum of understanding regarding banking arrangements. With effect from 15 February 1975 direct shipping services between the two countries were restored. (The first major result of these developments was an agreement concluded by the Cotton Corporation of India for the import from Pakistan of 200,000 bales of raw cotton worth Rs. 250 m.)

Unfortunately, there was no comparable progress in relations between Pakistan and Bangladesh. The repatriation of the POWs and Pakistan's recognition of Bangladesh had removed the obstacles to Bangladesh's membership of the United Nations, and on 10 June 1974 the Security Council unanimously recommended her admission. But Mr Bhutto's visit to Bangladesh later in the month was a complete failure. Neither on the division of assets and liabilities nor on the repatriation of the Biharis was there any common ground between the two sides, and at the end of

[14] *The Hindustan Times*, 2 June 1974. For the impact of India's test see also Ashok Kapur, 'India's nuclear presence', *The World Today*, November 1974.

[15] See the author's article 'India's Quest for a Nuclear Guarantee' in *Asian Survey*, July 1967. For the text of the correspondence see *Indian and Foreign Review* (New Delhi), 15 September 1974.

the trip diplomatic relations and an exchange of Ambassadors seemed a very remote possibility.

Thus, three and a half years after the December 1971 war, relations in the subcontinent remain only partially normalized. The issues that divide Pakistan from India and Bangladesh are qualitatively different. Those with Bangladesh relate to matters which arose from the partition of Pakistan. They are of recent origin and, without minimizing their gravity, it is unlikely that they will last for long. Pakistan's disagreements with India, on the other hand, are old and fundamental. They centre around the question of the parity that should exist between the two countries. As Mr Bhutto said in a speech at the Pakistan Institute of International Affairs in Karachi as far back as July 1972, the basic question before the people of Pakistan is 'what kind of relationship they would like to have with India'. The alternatives outlined by him were 'whether to live in permanent or temporary peace with India or adopt the way of confrontation'. Until recently he still regarded the Kashmir question as the only issue dividing the two countries.[16] But in view of the measures of integration he has adopted in regard to the administration of Azad Kashmir, and the fact that the popular leader of Kashmir, Sheikh Mohammed Abdullah, has now accepted Kashmir's accession to India and been reinstated, Kashmir no longer appears as a live international issue. In a real sense, it ceased to be one after 1965. The problem facing the two countries, basically, is how to reconcile Pakistan's fears of Indian 'hegemony' and legitimate desire for security with India's fears, based on past experience, of an artificial parity between the two created by external arms aid, and inevitably resulting in confrontation. The nuclear factor has added a new dimension to an old problem, which can be solved only by a statesmanlike effort at a fair compromise whereby the old drive for arms parity is abandoned, while Pakistan's security interests are fully assured by India.

In regard to Bangladesh, India has followed the withdrawal of her troops, completed in March 1972, by an agreement on boundary demarcation, signed on 16 May 1974; and on the vexed question of the Farakka barrage, her approach has been governed equally by concern not to antagonize her eastern neighbour. Despite the closeness of relations India has studiously maintained a low profile in Bangladesh. Given the will to break with the past, there is no reason why a similar process cannot be started with India's western neighbour as well.

[16] *The Times of India*, 23 September 1973. 'When the immediate issues arising out of the war of 1971 are resolved, only one dispute will remain unsettled between us, the dispute relating to Kashmir', Mr Bhutto told the Foreign Policy Association in New York on 22 September 1973.

Kashmir: Sheikh Abdullah's reinstatement

DAVID E. LOCKWOOD

The degree to which Kashmir, the only Muslim majority state in the Union, accepts integration affects attitudes in other parts of India. Mrs Gandhi's interest in a settlement thus reflects a keen appreciation of what it can do to strengthen her position elsewhere.

THE controversial and, to many people, enigmatic career of Sheikh Mohammed Abdullah, the 'Lion of Kashmir', recently took a dramatic turn. On 23 February 1975, Abdullah and India's Prime Minister, Mrs Indira Gandhi, reached a broad settlement of longstanding differences that paved the way for his return to power as Chief Minister of Jammu and Kashmir State.[1] The accord brought to an end more than 21 years of continuous, and often strident, opposition to India by the Kashmiri leader. It also greatly strengthened India's hold on the disputed territory—at the expense of Pakistan and her campaign for control of the largely Muslim state. The agreement with Abdullah represented a major achievement for Mrs Gandhi at a time when she was faced with mounting economic and political difficulties throughout the country. The key to the successful outcome of her negotiations with Abdullah was the latter's agreement to drop his demand for a plebiscite on the future status of Kashmir.

Abdullah's outspokenness on the right of self-determination for the people of Kashmir led to his dismissal from office and arrest in August 1953. He argued that Kashmir's accession to India, which took place in 1947, had been conditional, with a clear understanding that the final outcome would be decided by means of a plebiscite. He pointed out that Jawaharlal Nehru, as well as other Indian leaders, had openly acknowledged the provisional nature of accession and issued statements in support of a plebiscite. In exercising their right to self-determination, Abdullah insisted, the people of Kashmir were entitled to choose among essentially three alternatives: independence, accession to Pakistan, or reaffirmation of the state's accession to India. Initial assurances notwithstanding, by 1953 the Indian Government was no longer prepared to risk the uncertainty of a plebiscite even if the chances of an adverse verdict were remote. Stung by what he considered to be a betrayal of trust,

[1] Most commonly referred to as 'Kashmir'.

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Abdullah launched an unremitting attack against the leadership in New Delhi—with the result that he was deposed and kept under house arrest for almost 14 years and subjected to various other forms of direct and indirect harassment.

Abdullah gave no signs of seeking a compromise on the issue of self-determination until early 1972, just after the Bangladesh war, when he gradually but perceptibly relaxed his stand. Eventually, rumours of a major shift began to circulate widely, fed by reports of frequent meetings between Abdullah and Mrs Gandhi and their representatives. When the agreement was finally announced, amid great publicity, few people were surprised at Abdullah's decision to drop his demand for a plebiscite. At the same time, questions were raised concerning his motives, and his detractors suggested that he had tired of the fight for self-determination and yielded to the temptation of public office.

Major provisions of the agreement

Sheikh Abdullah took the oath of office in the city of Jammu, the winter capital of Kashmir, on 25 February 1975. His appointment had been preceded by the resignation of Chief Minister Syed Mir Qasim and other members of the Congress-ruled state Cabinet, as well as by a formal statement of Mrs Gandhi to the Indian Parliament in New Delhi in which she revealed for the first time details of the agreement that had led to Abdullah's reinstatement. Mrs Gandhi assured the Lok Sabha that 'there will be no weakening of the ties which exist between India and its constituent units, of which the state of Kashmir is one'. On the basis of her statement and other published sources, it is possible to identify the important areas of accommodation and compromise in her agreement with Abdullah. For the purpose of analysis, the terms of the accord can be grouped into two distinct categories: (i) those concerning the fundamental constitutional relationship between state and Union, and (ii) those covering adjustments or changes of a narrower political scope.

As a condition for dropping his demand for a plebiscite and accepting the permanence of accession, Abdullah insisted at the outset of negotiations on a return to the pre-1953 relationship between state and Union. He wanted not only to halt but to reverse the process of assimilation which had taken place following his sudden overthrow. The Government in New Delhi had acquired a wide range of administrative and legal powers that had hitherto been reserved to the state under Article 370 of the Indian Constitution. An example was the extension in December 1964 of President's Rule whereby the central government may dismiss and replace a state ministry in the event of a breakdown in administration.

Mrs Gandhi's position was that the clock could not be turned back; that any move to restore special privileges enjoyed by Kashmir in the past and to loosen its ties with India would encourage demands for [illegible]

autonomy by other states. The negotiations remained deadlocked on this point for many months. But when it became clear that the Indian Prime Minister would not agree to his condition, Abdullah relented and accepted what was, for all intents and purposes, the status quo. He was able to extract a pledge that Article 370, which provides the constitutional basis for Kashmir's special status, would be recognized as a permanent and not transitional feature. It was understood that no further steps would be taken to integrate Kashmir without adequate state consultation and approval. It was also agreed, by way of concession, that the concurrent list of the *Indian Constitution* would be reviewed and any infringements of Muslim personal law and other social and cultural matters corrected.

The concessions offered by Mrs Gandhi to Abdullah were, for the most part, adjustments or changes of narrow political scope. Chief among these was the Indian Government's agreement to Abdullah's return to power at the helm of the state. Details as to timing and procedure were worked out so that the transition would create as little delay or disruption as possible. According to the arrangement, Abdullah was elected by the Congress-dominated state legislative party as its leader, even though he did not belong to the Congress party. By this unorthodox means, he obtained the necessary support for his appointment as Chief Minister. In agreeing to the plan, however, Abdullah insisted on having a completely free hand in the selection of his Cabinet. Thus, soon after he was sworn into office, he formed a small, four-man Cabinet made up of himself and a single representative from each of the three major regions: Kashmir province, Jammu province, and the frontier territory of Ladakh.[a] None of his appointees was a member of the state Congress party. Abdullah also made it clear that he would accept support of the Congress party only as a *temporary measure*, and that new elections would have to be held by the end of the year so that his followers, who had been effectively excluded from the electoral process, would have an opportunity to contest the Legislative Assembly seats. In the meantime, the state Congress party, led by the former Chief Minister, pledged its continuing co-operation and support for Abdullah.

It remains to be seen how durable this collaborative effort will be, since no agreement could be reached on the establishment of a single party encompassing both Congress members and the followers of Abdullah. The Kashmiri leader recognized the need to dissolve the Plebiscite Front, identified with his former hard line, but he did not want a merger of its membership with that of the Congress party—unless the merged whole was renamed the 'National Conference' after the party headed by him at the time of his downfall. Mrs Gandhi's position was that

[a] The Cabinet was expanded on 24 April with the inclusion of 11 new ministers, six belonging to the Congress, three to the Plebiscite Front, and two independents.

Indian unity and stability would be best served by keeping the Congress party label, since it was a valuable symbol and link among all parts of the country. The outcome is likely to be two parties, with the Plebiscite Front giving way to a new, separate organization called the 'People's Front' or the 'Progressive Front'.[3]

Another issue that received considerable attention during the negotiations concerned the title under which Abdullah would hold office. At the time of his deposition in 1953, the Kashmiri leader had been the state's Prime Minister, a unique designation in so far as all other state leaders were called 'Chief Minister'. The final agreement gave him the option of seeking a change in the state constitution, at some later time, which would allow him to adopt the title Wazir-e-Azam (Prime Minister in the Urdu language). By means of this innovative solution, any confusion or misunderstanding which might arise from having two leaders in India addressed as 'Prime Minister' was avoided.

Impact of the Bangladesh crisis

The success of the Gandhi-Abdullah negotiations was made possible by the spirit of co-operation and compromise exhibited on both sides. The most decisive factor, however, was the Kashmiri leader's willingness to abandon his demand for a plebiscite - a concession considerably greater than anything offered in return by the Indian Government. What were the reasons for Abdullah's reversal of a stand he had so defended for so long? To begin with, one can point to the major political and psychological shockwaves created by the 1971 Bangladesh war.

The initial effect of the Bangladesh crisis would seem to have worked against reconciliation. The Indian Government's support of the East Bengal independence struggle was in sharp contrast with its treatment of Abdullah and his self-determination movement. This was pointed out in a statement issued by the Plebiscite Front calling attention to the 'curious anomaly' of New Delhi's wholeheartedly backing Bangladesh while in Kashmir it followed the path of repression.[4] The logic of this argument was not accepted by the Indian Government, whose spokesmen countered by condemning Abdullah's failure to focus public attention on the brutality of Pakistan's occupying army. During this period, in a move not likely to encourage the settling of differences, New Delhi also took steps to blunt the challenge to Congress authority in Kashmir presented by the Plebiscite Front's decision to contest the March 1972 state elections. Election activities by the party were prohibited and Abdullah was 'externed' or banned from entering the state. These actions were a tacit admission of the widespread appeal he enjoyed in Kashmir and

[3] *Times of India*, 14 April 1975.

[4] Statement issued by the All Jammu and Kashmir Plebiscite Front in a special session held on 1 and 2 September 1973, presided over by Mirza Mohammad Afzal Beg, at Srinagar.

shaky political base upon which the local Congress structure rested.

The more profound and lasting effect of the Bangladesh crisis, however, seems to have worked for reconciliation rather than continued confrontation. The conflict had a pronounced psychological impact on Abdullah. It served as the catalyst for a marked shift in his attitude towards India—a shift that was already taking form but might not have occurred as soon, or perhaps at all, in its absence. India's mobilization of her armed forces in defence of the Bangladesh nationalists and their struggle for freedom contrasted favourably with the ruthlessness of Pakistan's army. If West Pakistanis were capable of meting out such treatment to fellow Muslims of East Bengal, what assurance was there that similar behaviour would not be displayed elsewhere? It made the alternatives to Kashmir's link with India seem risky and unacceptable.

Another result of the war and subsequent dismemberment of Pakistan was that it underscored the overwhelming and indisputable dominance of India in the subcontinent. Whatever aspirations Pakistan may have had in the past regarding a competitive level of influence, they were dashed by the events of December 1971. Thus, the overall impact of the war was to shatter long-standing preconceptions and frames of reference, thereby creating an atmosphere conducive to compromise and change. If such an event had occurred 10 or 15 years earlier, it might not have significantly interfered with Abdullah's singleminded pursuit of self-determination for the people of Kashmir. But by the beginning of 1972 the impact of the Bangladesh war, in combination with other important considerations, caused Abdullah to become more flexible and receptive to change.

Futility of the plebiscite demand

First among the other factors to be considered was the utter futility of Abdullah's extended campaign to persuade New Delhi of its obligation in connexion with a plebiscite. As a devotee of Mahatma Gandhi and the belief in non-violent resistance, he apparently sustained the hope that the Indian leadership would eventually succumb to the moral weight of his position. But, as year after year passed without evidence that the Indian Government would yield to anything but the pragmatic assertion of its own interests, Abdullah was forced to reconsider. There was no softening of New Delhi's stand on accession; indeed, there was a progressive and unmistakable hardening. Abdullah found that he was not just standing still, but actually losing ground in the struggle with the Indian Government. After 1953, many of the special privileges Kashmir enjoyed as the most autonomous of India's constituent states were withdrawn. Abdullah's absence from the seat of power contributed to this process of erosion, for leadership in the state passed to men less inclined to resist the pressures for integration. The Kashmiri leader protested vigorously at every step, but he was unable to prevent the decisions from taking effect.

A second important factor behind Abdullah's shift on self-determination was his advancing age. At 69, and with some evidence of ill health Abdullah cannot look forward to many more years of political activity. Time is running out and he is aware that no one possessing anything remotely approaching his political stature is waiting in the wings to take his place. He has named Mirza Mohammed Afzal Beg, his long-time and trusted associate, as his political successor. Although a brilliant and dedicated nationalist, Beg would be the first to admit that he lacks the magnetism and widespread appeal of Abdullah. He also has the drawback of being, at 67, in the same age bracket. Having recognized the futility of seeking a plebiscite, Abdullah's efforts are now being directed at preserving what little remains of Kashmir's special status. It is an attempt best described, perhaps, by the familiar saying 'half a loaf is better than none'— the whole loaf in this case being the seemingly unattainable goal of self-determination.

A third contributing element in Abdullah's decision to drop the demand for a plebiscite was Mrs Gandhi's willingness to negotiate and offer a number of concessions. Why did she feel inclined to do so when it was amply clear that the Kashmiri leader's campaign had not been nor was ever likely to be successful? To begin with, Mrs Gandhi is aware how illusory the appearance of success or failure may be as it applies to Kashmir. Despite India's success in riding out the plebiscite storm she knows that conditions in Kashmir remain far from stable and secure. Underlying dissatisfaction has manifested itself in various forms of public and private expression, and there has been a restless, fragmented quality to political life in the state. Indian control and authority have been tolerated, but not welcomed, by large segments of the Muslim community. Those living in the Valley of Kashmir, especially, have found themselves existing uneasily in a kind of limbo ever since Abdullah was deposed. By means of the recent agreement, Mrs Gandhi may have taken an important first step in removing much of this lingering doubt and insecurity.

The significance of the agreement for Mrs Gandhi, however, extends far beyond the boundaries of the state. Communal rivalry and regionalism exist throughout the country and produce tensions that never lie very far below the surface of Indian political life. Those tensions have been aggravated recently by increasing economic hardship and intensified feelings of anger and frustration. Over the years, Kashmir and its people have represented the touchstone of Indian unity. It is the only Muslim majority state within the Union and it has a rich, distinctive culture and history of its own. It has become a state with high visibility and symbolic content so that the degree to which it does or does not accept emotional as well as political integration tends to affect attitudes in other parts of India. Thus Mrs Gandhi's interest in a Kashmir settlement reflects a keen apprecia-

ion of what it can do to strengthen her position elsewhere in the country.

Abdullah's age also had an important bearing on Mrs Gandhi's decision o seek a settlement. She and the other Indian leaders are aware that, vhile he has been a thorn in their collective side, he has also been a major orce for peace and moderation. There is concern over what may happen n Kashmir politics after his death. Abdullah has consistently refused to urn to the device of communal hatred and violence as a means of achieving the goal of self-determination. In fact, he has spoken out unequivocally against such a course of action and, thereby, dampened the nfluence of extremist factions in the Muslim community. Mrs Gandhi's lecision to negotiate, therefore, can be interpreted as a move to stabilize nd secure the relationship between state and Union while Abdullah's onsiderable influence can still be brought directly to bear on the issue.

Prospects for a lasting settlement

What, then, are the prospects for the long-term success of the Kashmir greement? They would appear to be reasonably good, although challenges are bound to arise on several different fronts. To begin with, there s Pakistan's adamant rejection of any settlement short of a plebiscite. On earning of the anticipated accord between Mrs Gandhi and Sheikh Abdullah, Prime Minister Zulfiqar Ali Bhutto expressed considerable ire nd called for a nationwide strike in protest. He also urged the Muslims f Kashmir to register their opposition to the agreement. The strike, which took place on 28 February, brought commercial transactions and ther regular activities in Pakistan to a standstill. Mr Bhutto's appeal, owever, had little impact in the area of Kashmir controlled by India—nly scattered evidence of the strike was seen in Srinagar and nothing to peak of outside the city. In calling for the strike, Bhutto gave the distinct mpression that he was going through the motions: the purpose was erely to reiterate Pakistan's well-known position that Kashmir's status still in dispute. In the judgment of qualified observers, he sees no real ope of forcing a solution on Pakistan's terms and, therefore, intends to eep the issue alive to the extent that it can be used to gain domestic olitical support.*

A more serious threat is presented by Hindu extremist groups in the ate and throughout India—most prominent among these being the Jana ngh. The state branch of the Jana Sangh, known in earlier years as the aja Parishad, was instrumental in bringing down Abdullah in August 53. The party leaders remain sceptical and wary of Abdullah's recent claration of support for India. They suspect that it is a ploy by the shmiri leader to regain power in the state and to reverse the process of egration. The alienation of the Jana Sangh was openly expressed at the ne of Abdullah's reinstatement, when police fought demonstrators in

* See *Times of India*, 2 March 1975, and *Washington Post*, 6 March 1975.

the streets of Jammu city. The incident was a warning that Abdullah wi be watched closely by Hindu extremists for any evidence of insincerit regarding his recent conversion.

A lesser threat to a lasting settlement is posed by Muslim extremi elements within the state. The Jamaat-e-Islam is, perhaps, the best know of the groups that favour Pakistan or independence as an alternative to t link with India. Its support is largely confined to the city of Srinagar an its relatively small following presents no significant challenge to Abdullah whose personality overshadows that of all rival Muslim leaders. Th drawback, of course, is that such a commanding presence also tends t stifle the emergence of a successor with comparable appeal and influenc In the absence of an heir, the extremist Muslim groups may becom more significant and destabilizing factor in the state once Abdullah n longer occupies the centre of the stage.

In the meantime, the success or failure of the Kashmir agreement res on Sheikh Abdullah. The future will test not only the degree of his com mitment to the link with India, but also the extent of his statesmanshi and political acumen. For her part, Mrs Gandhi knows only too w *that he is the only leader who can put an end to the drift and uncertain* that have plagued India's relationship with Kashmir.

Middle East: is time running out?

MICHAEL JOHNSON

ALTHOUGH nearly two years have elapsed since the October war 1973, the borders of Israel remain substantially unchanged from tho attained in June 1967. American mediation efforts have resulted several minor revisions, but Israel still retains control of the Sinai Penin sula and the Golan Heights, and this continued occupation must be co sidered a tactical diplomatic success. Whether Israel can maintain the borders another year is questionable. With the advent of summer 19 both the Arabs and Israelis are prepared to take action, planned dur the interlude generated by American mediation, to end the impas What strategies have been developed since the October war? Where do Arabs and Israelis stand at present? What moves can be expected du the summer and autumn? This article attempts to answer these questio

The combined Egyptian and Syrian attack of 6 October 1973 caug the world by surprise; it was deemed successful as much for the de of unity it elicited from the unprepared Arab world as for the tact surprise achieved against the Israeli Defense Forces (IDF). By the en the war, every Arab state had contributed support in some form the Egyptian and Syrian efforts. With the ceasefire and subsequ

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disengagement agreements, however, this unity disintegrated under pressure of competing interests. The Arab states generally divided into two camps, the moderates and the radicals, and this division has persisted to the present.

Egypt is recognized as the leader of the moderate camp. Her policy is one of accommodation, best expressed by the willingness of the Egyptian President, Anwar Sadat, to accept an Israeli state within Israel's pre-June 1967 borders. The moderates thus do not seek the destruction of Israel and may even be willing to make minor border revisions. Furthermore, they welcome the benefits to be gained from a settlement. Egypt, in particular, desires peace in order to enlist American and West European economic assistance to solve her most critical problem—her inability to generate sustained economic growth because of an obsolete and limited industrial base.

Egypt's principal supporter is Saudi Arabia, who has assumed this position in response to several internal influences—her Western orientation, the threat of subversion to her conservative monarchy, and vast oil wealth. For similar reasons, Kuwait and the United Arab Emirates also back Egypt, as do Jordan and Morocco (both monarchies), and Tunisia. Egypt's great appeal for all these countries lies in her status as Israel's foremost military adversary and her willingness to overlook the form of government of her supporters.

Syria, on the other hand, is the leader of the radical camp. She has partly achieved this position out of traditional rivalry with Egypt for Arab leadership. But the main cause of Syrian radicalism must be attributed to the instability of the Syrian leadership. The rule of the Syrian Baathist Party is characterized by over-reaction and unexpected policy shifts designed to divert public attention from crushing problems at home while keeping the opposition off balance. Syrian political paranoia lends itself to an uncompromising, hardline policy toward Israel and a desire to exclude the super-powers from the region once the 'Israeli question' is resolved.

Iraq has been Syria's primary supporter, despite very bad relations between the Iraqi and Syrian Baathist Parties. Since Iraq feels compelled to oppose Israel, support for Syria against Israel probably represents the lesser of two evils politically and the only alternative geographically. Therefore, of all states not directly engaged in confrontation with Israel, Iraq has repeatedly committed the largest military contingents to past wars. Since October 1974 Saudi Arabia has assumed the role of principal banker, but she has no sympathy for Syrian domestic policies. Syria's appeal to Algeria, Iraq, and Libya springs as much from her hostility to conservative Arab regimes as it does from her unceasing hostility towards Israel. In fact, Syria is often condemned by Iraq and Libya (the Rejectionist Front) for seeking less than the total destruction of Israel.

During and immediately after the October war, moderate and radic interests coincided. For Egypt, Syria, and their supporters the fir priority was to negotiate a ceasefire. When the IDF stopped fightin Syria sat behind her Saasa Line with only two combat-effective divisio left out of five. Egypt's situation was so precarious that President Sad appealed for Soviet intervention. The subsequent Soviet alert ar American counter-alert set in motion a series of negotiations that re sulted in the 18 January 1974 disengagement agreement, which was th highlight of the ceasefire imposed by the super-powers. The secon priority for the Arabs was an Israeli pullback on both fronts. In the peri following 18 January, the IDF steadily withdrew in the Sinai while Israelis and Syrians negotiated. By 5 March, Egypt and Israel had im plemented the final stages of their agreement. However, the US Secre tary of State, Dr Henry Kissinger, had left Damascus on 27 Febru without an Israeli-Syrian disengagement agreement. The Syrian Pr sident, Hafez Asad, demanded joint Egyptian-Syrian military action force Israel to negotiate in good faith. Egypt, with her agreement or week from completion, refused, and within ten days the infuriated As had opened a war of attrition against Israel. This action clearly mark the divergence of moderate and radical Arab strategies.

The Rabat summit

The summer of 1974 was a period of intense behind-the-sce struggles for Arab leadership. President Asad sought to restrict Egy from future bilateral agreements with Israel. President Sadat tried isolate Syria from all Arab support, insisting that the Syrians were obstacle to peace. Syria requested and received extensive Soviet supp while Egypt courted America and Western Europe. The outcome of struggle became public in October at the Arab League meeting in Rab

The most surprising declaration issued at the conference proclaim the Palestine Liberation Organization (PLO) the sole legitimate rep sentative of the Palestinian people, with national responsibility for a portion of the West Bank and the Gaza Strip relinquished by Israel. T declaration was considered a triumph for the PLO's Chairman, Y Arafat, especially as King Hussein, a bitter enemy since the Jordan Army smashed all PLO organizations in Jordan in 1970, concurred in unanimous decision. For those who missed the significance of the decla tion, Arafat's subsequent visit to the United Nations General Assem dramatically underscored the rise in PLO fortunes.[1]

But for all the fanfares, it was a hollow triumph. By October 1974, PLO had become an emasculated organization. Its military arm, People's Liberation Army (PLA), has been under strict Syrian, J

[1] See Sidney D. Bailey, 'Some procedural problems in the UN General Asse bly', *The World Today*, January 1975.

rnian, and Egyptian control since its inception; its Commander is, in ct, Major General Azzam, the former Deputy Commander of the yrian Air Force. The PLO's terrorist arm is equally unresponsive to rafat. Fatah, the largest terrorist organization which is under his per-onal command, has split into warring factions that are penetrated or mmanded by Syrians or dependent upon Syrian supplies. Saiqa, the cond largest terrorist group, is a direct Syrian creation with a dual ission of policing the other terrorist groups and fighting Israel. Finally, veral splinter terrorist groups ('Black September' comes easily to ind) are beyond anyone's control. The chief PLO political organ, the xecutive Committee, reflects this dilution of Arafat's control with over alf of its members being Syrians or Syrian supporters.[3] The PLO is thus rgely an organization which serves Syrian political and military in-rests. The net effect of the recognition of the PLO at Rabat, in this light, is to sanction Syrian control for Syrian purposes.

But Syrian pre-eminence was not the result of the PLO's recognition one; rather, it was Syria's success in tying Egypt to a joint settlement rmula that provided the true basis for her victory. The Syrians de-anded that Egypt agree to simultaneous Israeli concessions to Egypt, ria, and the PLO - or to no settlement at all. To enforce this, President ad had successfully convinced King Faisal of Saudi Arabia during the mmer of 1974 to withhold economic assistance from Egypt if she reed bilaterally to another disengagement with Israel. Asad reinforced e threat by declaring his willingness to go to war unilaterally to upset y Egyptian Israeli agreement. This formula was his revenge for ypt's abandonment of Syria in March, and he evidently relished it; upled with the PLO's recognition, he had clearly stolen the spotlight m Sadat.

To assuage the Egyptian President, the Arab League agreed to for-lize the already existing economic assistance programme to the 'con-ntation states'. Under the terms of this agreement, Egypt and Syria uld annually receive one billion dollars each, with smaller sums pro-ed for Jordan and the PLO. That this aid would be guaranteed for r years was undoubtedly a concession to Egypt, who needed this type commitment to proceed with rational economic planning rather than keshift programmes as money became available. As one of the two in beneficiaries, however, Syria had little reason to protest against agreement.

The Syrian success at Rabat was in large measure the result of Saudi bian support. Since policies unacceptable to Israel were involved, support was surprising. In retrospect, it appears that Rabat pro-ed a forum for the world to assess the radicalization of Saudi Arabia.

For the various factions within the Palestine guerrilla movement, see Pierre lot 'Palestine: peace talks and militancy', *ibid.*, September 1974.

The latter certainly remains conservative in domestic matters, even after the assassination of King Faisal in March; but in his foreign policy Faisal began edging leftwards after the October war, a shift attributable to his well-known desire to return Jerusalem to Arab control. Syria simply took advantage of this aspiration by supporting his calls for total Israeli withdrawal from the city, and he reciprocated handsomely by supporting Syria at Rabat. If his stand on Jerusalem could be interpreted as self-serving in many respects, his concern for the strength of the Organization of Petroleum Exporting Countries (OPEC) was no. Faisal knew that if Saudi Arabia was to continue her development, she must realize the greatest possible profit from oil. The conservation efforts of the West were threatening to lower the price of oil and possibly to asunder OPEC as each oil producer refused to cut his production. Saudi agreement at Rabat to absorb the great majority of any OPEC cutbacks spared the organization from possible disaster. It also presented the West with an intentional act of economic aggression.

In sum, the Rabat conference highlighted a major turning point in Arab Israeli conflict: the radical camp, with Syria in control, emerged the victor, and the first faint stirrings of radicalism appeared in Saudi Arabia. Together, the direction of the Arab demands on Israel was clear, and the significance of the conference was not lost on the Israe

Israel's rearmament

While Egypt and Syria contended for Arab leadership, Israel quietly rearmed. During the first six months following the October war, Prime Minister Golda Meir had responded to American pressure and forfeited gains on both fronts; but her concessions undermined her political base and on 10 April 1974 she resigned. By 3 June the Labour Alignment had formed a coalition to produce a ruling parliamentary majority, replacing most civilians with soldiers. The former Chief of Staff of the IDF Yitzak Rabin, was elevated to the prime ministership. The Foreign Minister, Abba Eban, a civilian, was replaced by Yigal Allon, once Commander of the Palmach strike force. And Shimon Peres, a stalwart of Defence Ministry, replaced the controversial Moshe Dayan as Minister of Defence. The changes were significant: once again the IDF assumed direct control of Israel's policy-making.

Rabin took office under two constraints. First, domestic support for negotiations was limited and conditional, the most obvious example of this being the condition accepted by the Labour Alignment for the coalition with the NRP, namely to submit any agreement affecting the status of the West Bank to a national referendum. Secondly, the IDF demanded time for an unprecedented expansion. Rabin neatly dovetailed these constraints to create Israel's post-October war strategy known as stall'; this consisted in stalling off the Arabs in order to avoid d

ernal debates and referendums on withdrawals, while at the same ie generating time for the IDF to rearm.

\s Israeli military strength increased, Rabin took several political tiatives. First, the Israeli Parliament authorized Israeli citizens to purise certain categories of land on the West Bank outside Israeli settlents; this law assisted Israel in her creeping annexation of the area, as ib settlers had to move to other land on the West Bank or depart from area altogether.[3] Secondly, the Israelis completed the four-line high- connecting Tel Aviv to Jerusalem; the highway traverses a portion of West Bank known as the Latrun Salient, and to return the salient uld mean cutting the highway. Third, in November 1974, the Isls announced plans for a new industrial centre at Mishor Haedomin, km east of Jerusalem, a 10,000 acre area situated squarely on the West ık. Finally, in February this year, Israel initiated construction of a settlement named Katzabeye in the centre of the Golan Heights. ken together, these actions were not of a kind calculated to enhance the ospects for Israeli withdrawals from either the Golan Heights or the st Bank. The 40 or so settlements established in the two areas prior to October war also made the chances of such withdrawals appear slim. d with respect to Jerusalem, the same conclusion was suggested by the roken line of apartments, schools, industries, and IDF installations t of the city.

This is not to say that Israel refused to return any occupied territory. the contrary, she seemed more than willing to buy Egyptian recogion by handing over most of the Sinai. She had also indicated her lingness to permit Jordanian administration of the West Bank. The aelis had probably not withdrawn as far on the Golan Heights as they re willing to, but they did not intend to return to their pre-June 1967 ders. It was Egypt's perception of these intentions which probably pedoed Dr Kissinger's mediation attempt between the two countries March this year. The US Secretary of State's visit, which was the next hpoint in Middle East politics after Rabat, in retrospect appears to re been doomed to failure before it began. Egypt's and Israeli's actions lowing his February fact-finding tour indicate that both felt an agreent to be unattainable. By early March, Israel had significantly inased her Sinai troop strength and conducted a limited mobilization, l it was reported that Egypt had begun transferring mechanized intry, artillery, and some armour units east of the canal. By the time Dr singer arrived in Cairo on 7 March, the Egyptians were in violation of h the letter and spirit of the first disengagement agreement. The eli build-up, although not illegal, clearly contributed as much to the ease in tension.

For a critical evaluation of this policy see Avi Shlaim, 'Israel and the occupied tories', *The World Today*, October, 1973.

Why did both Egypt and Israel anticipate failure of the March med tion effort? The answer is that President Sadat realized that he could comply with the Rabat agreement stipulating an Israeli withdrawal all fronts. During Dr Kissinger's February visit it became clear Israel would not negotiate constructively in March with Syria (she building Katzabeye!) and had no intention of agreeing to talks with PLO. Sadat believed that Syria would unilaterally attack in the event another Egyptian–Israeli disengagement and that he would then heavily pressed to fight. To confirm his worst fears, Syria mobili and declared a full state of alert for her armed forces on 6 March. Eg therefore, was helpless unless Kissinger could expand the negotiati to include Syria and the PLO, which he could not.

Following the collapse of the negotiations, the political situation teriorated. Egyptian prestige had grown among Arab states, but so had the likelihood of hostilities. In an effort to defuse the situation, P sident Sadat requested a three-month extension of the mandate of United Nations Emergency Force (UNEF) which was scheduled to pire on 24 April. The effect of the request, to which the UN Secu Council subsequently agreed, was to place the burden for the next m in Syrian hands, as the mandate for the Golan United Nations Dis gagement Observer Force (UNDOF) was due to end on 30 May. This a brilliant tactical move by Egypt, but overall it greatly increased the p bability of hostilities. A Syrian cancellation of the mandate would p bably entail fighting, as Israel had served notice of her intention to reg the UNDOF or UNEF cancellation as a cause of war. A renewal wo call into question Asad's political survival, as he had agreed to the p vious UNDOF extension on condition that there would be a se disengagement agreement

Immediate prospects

At present the room for political movement would seem to be rap narrowing. Israel remains willing to withdraw partially from the Si but from nowhere else. The American 'reassessment' of policy tow Israel is recognized as the pressure tactic it is, and Israel is respon with a hardening of her own position. Egypt is looking for a coun weight to Saudi Arabia and may be finding it in the Shah of Iran; b is doubtful that the Shah alone could fund Egypt's stagnant econ President Asad feels increasingly threatened in his position and may d an outbreak of hostilities the lesser of two evils when compared to overthrow. On 8 March he dropped all pretence of PLO independ and initiated steps for a unified Syrian–Palestinian political and mili command. This action, which was completed by May, provides S with an early warning capability should the IDF attempt an run through Lebanon to Damascus, as well as with forces to con

..-scale offensive operations from Lebanese territory against Israel. ıe United States has continued to hold meetings with all parties in tempt to find a basis for agreement. Privately, she has brought tredous pressure on Israel since 22 March for a second withdrawal. The et Union, in the meantime, has become less vocal about reconvening Geneva Conference as formal Arab requests for this have increased. Russians apparently recognize that the conference is more likely to ısuccessful than not, and are in no hurry to risk a loss of prestige.

nnoticed by most observers has been the marked shift in the military ıce in favour of the IDF. Just as the Israeli Navy, relatively intive in June 1967, studied the lessons of that war and expanded to uce the brilliant successes of October 1973, so the Army too has ıed from October 1973 and expanded since. The result is that Israel ıw capable, for the first time, of executing simultaneous full-scale ks against both Egypt and Syria, rather than shifting forces from one t to another as in the October war. The effect of this capability on re hostilities will be to reduce dramatically the length of any conflict re Israel can achieve either one or both of her strategic military obves: to destroy the Egyptian and Syrian armies, and to isolate and st Cairo and Damascus. This has three critical implications. First, el will be less dependent upon American re-supply and thus less eptible to American pressure. Secondly, non-frontline Arab states ı as Iraq, Saudi Arabia, and Algeria will have less chance of joining ıe fighting while the battle hangs in the balance. Finally, the Soviet ın will be forced to react quickly and may not prove able to do so.

rael's expansion has concentrated upon her armour and her air ., a conclusion surprising to many who regarded Arab anti-tank ed missiles (ATGM) and surface-to-air missiles (SAM) as signalling end of the tank-air team.[1] But the statistics from the October war ed a different lesson. In the Sinai, Israel lost approximately 200 tanks 200 armoured personnel carriers (mostly between 6 and 8 October) er 50,000 Egyptian ATGM (number fired). The figures are even less urable to ATGM on the Golan Heights. It is a fact that of over o tanks of both sides hit by fire during the war almost 90 per cent were royed by another tank or aircraft, not by ATGM. In the air, esti-es place the number of SAMs fired by the Arabs at between 8,000 and oo. The Israeli Air Force (IAF) lost 30 planes to this barrage and, n, most losses were in the first three days of the war. It was on the s of these statistics that the IDF chose to strengthen its tank-air ı. This is not to say that adjustments were not made to degrade the ctiveness of the enemy's ATGM and SAM systems; but they were ıly designed to enhance the effectiveness of the tank and fighter

[1] See Lawrence Whetten and Michael Johnson, 'Military lessons of the Yom Kippur War', *The World Today*, March 1974.

aircraft. And if one studies Arab acquisition requests carefully, tanks aircraft will be found to be the first priority.

Syria has, with Soviet assistance, increased her strength slightly si October 1973. She has been the recipient of lavish Soviet re-equipm that has included the MIG-23 Flogger aircraft and numerous B armoured infantry vehicles. But Syria is rapidly approaching the lim her qualified manpower. Although she has twice the population of Isr over half of her males are unfit for service due to lack of educati religious status, or malnutrition. As a result, Syrian divisional stren has remained unchanged.

Egypt, on the other hand, claimed during the autumn and winter 1974 that she was the victim of Soviet retaliation for her Western ori tation and, as such, was not being re-supplied. This line, voiced by P sident Sadat himself, actually seems to be part of a deliberate Egypt disinformation campaign, prompted by fear of an Israeli pre-emp attack before Egypt has had time to rebuild. But in reality, by the ti of Kissinger's March visit, Egypt had restored her October war stren by means of Soviet shipments through third parties (especially Alge

The net result is that Egypt and Syria now deploy forces of roug the same size (10 and five divisions respectively) as they did in Octo 1973, whereas Israel has the equivalent of at least 14 divisions (as aga nine in October 1973). It is significant that the IDF can at present fi nearly 3,000 tanks in at least 20 armoured brigades as against 1900 ta and 14 armoured brigades in 1973. Furthermore, the IDF has soug and implemented through training, effective counter-measures to t SAM, ATGM, and static defences and has therefore the capability achieve strategic objectives within a period of seven to ten days.

What, then, do the months ahead hold? Everyone seems to agree the key elements of an Arab–Israeli peace are withdrawal, demilita zation, supervision, resettlement, and recognition. But the small s by which these stages must be implemented are faltering. Should A decide to terminate the UNDOF mandate to preserve his presidency would, in all likelihood, initiate a war of attrition to satisfy the m militant Baathist leaders, as he did in March 1974. If this happened, t is at least an 80 per cent chance that the IDF would soon respond wi full-scale attack to preclude the continuous Israeli casualties that suc war of attrition would entail. If Asad elects to extend the UNDOF m date,[6] either because of Soviet pressure or on his own initiative, a pe conference would have to be under way or ready to start by the expira of the UNEF mandate on 24 July. Although war would almost certa erupt in the case of the conference failing, Geneva appears to offer the hope for a small step towards peace which would provide a brea space for additional negotiations.

[6] The mandate was extended for six months on 22 May.

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otes of the month

FTER THE REFERENDUM

was a famous victory. The fears of the pro-marketeers inside and utside the UK Government that a populist and anti-Establishment mpaign against the EEC might catch fire, that even if there were an verall majority for staying in the Community the regional count would ow Scotland, Wales, and Northern Ireland against, proved unfounded. decisive majority, 67 per cent of those who voted, supported the atus quo and the Government by agreeing that Britain should stay in urope. Every region in the United Kingdom, except the tiny electorates Shetland and the Western Isles, provided a majority in favour.

Britain's membership of the European Community has thus at last en settled as an issue—after seventeen years of uncertainty, three plications and two vetoes, entry, and renegotiation. The finality of the o-to-one decision was reinforced by its acceptance by most of the ding opponents of membership. Leaders of the Trade Union Congress nounced that they would be taking up their seats in the Economic and cial Council and in the other consultative bodies of the Community, ich they had boycotted till then. When Parliament reassembled on une, opponents of EEC entry within the Parliamentary Labour Party de it clear that they would compete with supporters for places in their asbourg delegation; Eric Heffer, who had been dismissed from his t as Minister of State for Industry for his insistence on speaking out Parliament against Community membership before the rules on ernment solidarity were lifted, declared that 'the campaign for ialism must now be transferred to the European level'. The Scottish tionalists have demanded a seat in Britain's 36-member delegation to European Parliament; both they and the Welsh Nationalists have their sights on separate representation in Brussels. Only Enoch vell has insisted that the war must go on, and outside Northern and he is increasingly a general without troops.

he campaign itself, however, was far from glorious. The wording he ballot paper—'Do you think that Britain should remain a member e European Community (Common Market)?'—accurately reflected way in which the issue was presented by the Government. The e Minister, Mr Wilson, said little until the last week, when he helped well the already flowing tide by making a handful of speeches to

Labour Party audiences. His enthusiasm for the European enterpi was carefully muted; he referred to the EEC throughout as 'the Mark as if to emphasize its commercial nature, and he reiterated on seve occasions that his emotional commitment remained to the Comm wealth rather than to the Continent. The Foreign Secretary, Callaghan, insisted that he was not 'pro'. His self-image was that of Atlanticist presenting the facts of the renegotiation package to the pub appealing to their common sense rather than to their imagination.

The two umbrella organizations appeared at times to be appeal rather more to the public's fear of the unknown. The 'antis' conjured the image of a European Community enforcing a whole series of al practices on the British, interfering with their steel industry and ruin their fishing grounds, a foreign overlord over which they could hope exert little or no influence. The 'pros' countered by painting a d picture of Britain outside the Community, without friends or mark Competing and contradictory forecasts of unemployment rates inside outside the Community were produced, elaborated, and expanded. estimate of the Minister for Industry, Mr Benn, that membership already cost Britain 500,000 jobs, carefully documented and detailed it was, was later expanded by his Under-Secretary into a revised estim of 700,000. Perhaps the lowest point of the campaign was reached a w before the vote, when at one of the press conferences the Minister Social Services, Mrs Castle, and her great-niece produced the results a shopping expedition to Brussels, to demonstrate how expensive would be inside the Community, and the pro-Europeans retorted a display of what an attractive young housewife had brought back fr Oslo. The newspapers were filled with pictures of tins of baked be set out on campaign platforms, and with cynical comments about level of the debate.

One journalist characterized the campaign, at the end of its first we as one in which the leaders of 'Britain in Europe' were sitting arou worrying about the dangers of complacency, while the 'National Ref endum Campaign' was out actively losing votes. The failure of the an marketeers to capture the public imagination in the early stages of four-week battle was decisive in converting what might have been a clo fought result into a rout. Hoping to emulate their Norwegian pre cessors, their veteran leaders, both Conservative and Labour, began stressing the threat to sovereignty and to 'British democracy'. But th within the Labour Party, who saw the conflict over the EEC as only of the wider struggle over the future of socialism and the British econo captured an increasing share of the publicity as the campaign went bringing the prospect of massive nationalization of industry and siege economy outside the EEC to the fore. Analyses of the results of poll strongly suggest that Conservative voters were thus brought ou

·ce, while confused and cross-pressured Labour voters either split rly evenly between the two camps or stayed at home. The pro-mmunity organization, led by a cross-section of the political establish-nt of all three parties, fought a cautious and low-key campaign. nsitive questions like political union were carefully avoided; the EEC, was argued, would evolve gradually, and British governments would ve a veto over that evolution.

Whatever was decided in this referendum—and, perhaps inevitably, erpretations of its significance for British politics, for the Labour rty, for Scottish and Welsh devolution, and much more, have flowed profusion since 5 June—it was not the British attitude to the future ection and shape of the European Community. The referendum ercise succeeded in the long-overdue task of educating the British ctorate in the activities and the institutions of the EEC, due rather re to the generally excellent material provided by television, radio, l the press than to the campaigning groups themselves. But it has left t only public opinion but also a substantial proportion of the members all political parties unprepared for debates upon the pros and cons of onomic and monetary union, or of political union, or even of direct ections to the European Parliament. The massive majority for staying does not therefore necessarily suggest that British governments will in ture be counted among the more enthusiastic supporters of European ity. Mr Wilson and Mr Callaghan, certainly, are likely to give a very mp welcome to Mr Tindemans's forthcoming proposals on political ion, in line with their conception of the EEC as a useful but unglamor- mechanism for co-operation among governments. In the event of a nge of government, the attitude of the Conservative leader, Mrs atcher, would most probably be similar. In sharp contrast to her leagues, Edward Heath and William Whitelaw, she took little active t in the campaign– indeed, she was ostentatiously on holiday during first two weeks.

The Labour leadership's public interpretation of the consequences of referendum for British domestic politics has also been that it was a for the status quo—in terms not only of their own party but also of tions among politicians of different parties, without any disturbance onstitutional conventions. Mr Wilson's anticipated post-referendum uffle of ministers was a minor affair, intended to adjust the existing nce rather than to create a new one. The impact of such a major ovation as the referendum cannot, however, be so easily or so rapidly missed. Of the two organized factions into which the Parliamentary our Party is now divided, the Tribune Group had committed itself leheartedly to the anti-market campaign, while the majority of the ifesto Group publicly supported staying in. Tribune Group mem- with their stronger support in the trade unions and the constituency

parties, had claimed with some success to represent more closely th Labour Movement's heart and soul than Roy Jenkins, Shirley Williams and the other 'social democrats'. Opinion poll evidence that a major even of Labour voters and of trade unionists preferred to accept the advi of the social democrats has therefore given them a new authority with the Party and the Government. This influence has already been exerte to insist that Reginald Prentice, the most outspoken critic of the Tribune left, should remain in the Cabinet, in spite of Mr Wilson's evide intention to demote him. Its strength will, however, be most sever tested in the coming months in the struggle over government policies economic management and incomes restraint.

Co-operation among politicians of different parties was a notab feature of the referendum campaign on both sides, at local as well national level. Calls for the continuation of this spirit of constru dialogue, as opposed to the traditional confrontation of the two-pa system, have been made by a number of pro-Europeans in all par only to be decried by the Tribune Group as tantamount to coalition is too soon to see whether the pattern of party politics will again rev its former shape; certainly in Britain, as in Norway and Denmark, immediate impact has been to loosen party lines and blur the old ste types. Its constitutional consequences can only be surmised at this sta The referendum debate did much to weaken some of the tradit beliefs underpinning the British constitution, such as Parliamen sovereignty and Cabinet solidarity. Parliament itself is now being bro cast, at least for a one-month experimental period, thus bringing public a little closer to the traditional mysteries of British governme Scottish and Welsh Assemblies are likely to be established within next two years; regional assemblies in England have become a subje serious discussion. Even electoral reform, resisted (as was the re endum) by the leaders of both major parties, has ceased to be beyond bounds of possibility. It is not only membership of the European C munity which is changing the pattern of British politics, but it has ad an extra impetus to other pressures for change.

Most immediately, however, the Government's two priorities mus economic policy and an effort to restore the confidence of other C munity members in the value of British partnership. Over the first years of enlargement the hopes of a constructive contribution Britain towards the development of the Community have been dam by haggling over regional policy, lukewarm support for the Comm institutions, and the distraction of 'renegotiation'. With sterlin difficulties, and the British economy dependent on foreign loans, two priorities are closely connected. Both will require some del balancing by the Government between the constraints of domestic politics and the pressures of international opinion. The domestic ch

of the referendum debate has not made it easier to strike a stable lance. Unless the British Government makes a continuing effort over : next few months to inform and educate its domestic public about the ılities of its economic position and the international situation, it may d it increasingly difficult to provide the political response within the ımmunity which its partners are likely to expect.

WILLIAM WALLACE

IE SUEZ CANAL REOPENING

II most immediately significant aspect of the reopening of the Suez nal on 5 June is that it is an act of faith on the part of President Sadat Egypt. At a time when Israeli forces are still entrenched only a few les east of the canal, and when few observers would feel confident in edicting an imminent peace settlement between Israel and the Arabs, esident Sadat is taking a major risk. For if peace negotiations were to eak down, Egypt is committed to going back to war to regain the terriies occupied by Israel in 1967 rather than to allow a repetition of the war—no peace' situation that obtained for six years after the June ar. The waterway itself, and more particularly the canal towns, have en *badly damaged by fighting between the Egyptian and Israeli* nies in the past, and there must be a very high probability that, in the nt of another war, all the work that has been done since the October ı of 1973 and all the plans that have been laid for turning the Suez nal zone into a major development area of the Egyptian economy uld be destroyed. President Sadat must be more aware than anybody the gamble he is taking, for amid all the celebrations and the hopes ressed that the canal would never again have to be closed, he was at ns to emphasize that in reopening it his country, while 'offering so ch that would benefit mankind, announces that it is determined to y out its sacred duty towards its land and the Arab land which is still upied by the enemy in the Golan, Sinai and Palestine...'

The reopening of the canal after eight years has been almost unially welcomed as an important and substantial step towards a peaceful lement in the Middle East. Most people would agree with President at that it reaffirms and gives concrete evidence of Egypt's committ to a peaceful solution of the conflict with Israel. The move was comed by the Israeli Government, which reciprocated in kind by ouncing a thinning-out of Israeli forces on the Suez Canal front to cide with the reopening. This response in its turn was warmly welced by President Sadat, and, at a time when the United States has been pleting the 'reassessment' of her Middle East policy and planning a diplomatic assault on the problem, there has been a distinct improvet in the atmosphere for negotiations.

here are notes of caution to be sounded. The favourable outlook

was threatened right at the beginning by the attempt that was nea made to run through the canal a Liberian vessel carrying cargo for Isra. The Israelis saw this as a 'test case', and although the ship did not in event attempt to go through, the tension on this issue remains. T Israelis insist that one of the secret clauses in the Egyptian-Israeli engagement agreement of January 1974 provided that Egypt would all Israeli cargoes (though not Israeli ships) through the canal when it w reopened; but President Sadat, in a BBC interview broadcast shor after the reopening, stressed that this would depend on 'Israel's condu More generally, the Egyptian decision to reopen the canal has brou fierce criticism from those in the Arab world who are sceptica American-led peace initiatives, in particular Libya, Iraq, and the ha line 'rejection front' elements of the Palestine Liberation Organisat They claim that the Egyptian move constitutes 'capitulation', tha exposes President Sadat's reluctance to resort to war again even if Israelis still occupy parts of the West Bank, the Gaza Strip, and Golan Heights. So long as she regains the majority of Sinai, they c Egypt will be prepared to sign what will effectively be a separate p agreement with Israel that will leave her fellow Arabs out of acco. This is a criticism the Egyptian President is well aware of, and it points the vital importance to him of a breakthrough in negotiations.

If it is its implications in the arena of the Middle East conflict that commanded the most attention, the reopening of the canal has prompted much speculation about its effect on the balance of naval po in the Indian Ocean. The first convoy to go through the canal was le unexpectedly by the flagship of the US Sixth Fleet. This was w interpreted as a snub to the Soviet Union, whose relations with Eg have been strained almost to breaking point in the period since October War. But if the Russians have lost out to the Americans in te of relations with Egypt, they stand to gain strategically much more the United States from the reopening of a waterway that enorm reduces the time and distance involved in naval communications betw their Black Sea bases and the Indian Ocean. Already there is specula that the Soviet Union has embarked on the establishment of a naval in Somalia, and certainly the reopening of the canal will allow the So Navy to show the flag more widely and frequently all over the I Ocean. Moreover, all Russia's warships can pass through the c including her new aircraft carrier *Kiev*, while the US aircraft carrie too large for it. On the other hand, the Soviet naval build-up in Indian Ocean has been going on despite the closure of the Suez Can the availability of a short-cut to the Indian Ocean does not neces create any irrevocable Soviet advantage over the United States.

But for all its international implications, the Egyptian decision undoubtedly primarily motivated by domestic economic considera

is significant that there were few major foreign guests at the reopening eremony, and two of those were the Crown Prince of Iran and Prince ultan of Saudi Arabia, both of whose governments have pledged large ums for the development of the Suez Canal Zone. Indeed, the Saudi rabian Government is paying for the construction of a new city alongde the canal, to be named Faisal City, which will house some 30,000 gyptians. President Sadat's determination to reopen the canal was dicted by Egypt's desperate economic condition. Its closure has cost gypt $200 m. a year since 1967, to which must be added the human oblem created by the influx into the overcrowded Nile Delta—and rticularly Cairo—of large numbers of refugees from the canal towns.

Egypt's ambitious plans for the development of the Canal Zone revolve imarily around the waterway itself. When the June war of 1967 closed e canal, it was in the second stage of the 'Nasser Project' for widening d deepening the waterway. Now this project has been taken up again, t its targets for depth and width have been substantially raised. The ork is due to be carried out in two stages, with the second scheduled for mpletion by around 1983. By then the canal should be able to take ssels of up to 250,000 tons loaded, and up to 300,000 tons partially aded. (At present it will only take ships of up to 40,000 tons, though this ll rise to 60,000 during the summer.) The estimated cost of these dening and deepening operations is around $2,000 m. In addition to s central project, an estimated $1,600 m. is to be spent on the rebuild- of the canal cities, and the construction of a by-pass canal at Port Said. is latter project will enable the large tankers to avoid Port Said and so vent congestion. Egypt is also encouraging large-scale foreign investnt in the Canal Zone, and Port Said has been made into a free zone for eign investment.

But doubts have been raised about whether the canal can live up to the ectations placed on it. It cannot just pick up where it left off in 1967. the short term, although over 40,000 unexploded bombs have been oved from the canal, many shipowners are likely to be wary of sending ps through. This factor, coupled with the more important and eversent risk of war in the area, has led to insurance rates being pitched h. As freight rates are exceptionally low just now, the canal authority—ch has imposed transit tariffs that are high, though not as high as many ected—may not at first earn the revenue it might have hoped for.

There are other, longer-term problems, which in the view of many erts will prevent the canal from ever regaining its former importance. ile the Suez Canal remained closed, alternative routes—by rail, road air—have been developed and expanded. And the modern superers are too large to be able to use the canal at all. Even when the ent plans for widening and deepening have been completed by the 1980s, there are some tankers at present in service of up to 500,000

tons which will still be unable to use the canal. And in the interim, ve few supertankers will be able to go through it.

However, the Egyptians are convinced that the Suez Canal will capt not only a significant proportion of regular sea-borne freight traffic, b will before long be carrying also a significant proportion of Europe's needs. According to Egyptian calculations, economies of scale in the of supertankers operate up to a size of 250,000 tons, but after that the co per ton rises. Therefore, the Egyptians are confident that really la supertankers will decline in popularity and that the capacity they ha planned for the canal—for ships of up to 250,000 tons—will pro adequate for use even for the majority of oil shipping.

But if the scale of Egypt's economic gains is in doubt, the econo gain itself is not. And this applies to the rest of the world as well as to Egyptians. According to UN calculations, the world has been los about $1,700 m. a year since the closure of the canal. Its reopening benefit everybody economically, especially those developing count whose import costs were drastically increased after 1967.

However, all Egypt's economic plans and all the benefits that ma accrue to the rest of the world still hang on the thread of a peaceful set ment in the Middle East. And if Egypt's calculations about the econo potential of the canal are open to challenge, what will worry Presid Sadat most of all is whether his fundamental gamble is going to wo whether a settlement can be reached without going back to war and los ing all that has been achieved and planned for Suez.

SAM YOU

he world of oil power in 1975

ETER R. ODELL

Half-hearted energy policies based on pious hopes of co-operation with the oil producers are not enough: the West must minimize its dependence on OPEC by a fundamental restructuring of its economy and the maximum exploitation of its own oil and gas reserves.

a situation in which the world political and economic crisis over oil is ll deepening, it would be normal to expect governmental and media ivity which sought to inform us about the reality and complexity of the ues involved and which aimed to prepare us for the consequences of e worsening crisis. Instead we are beguiled by the results of wishful nking in the Western world. In this there are two main components: t, the exaggeration of incidents which purport to indicate the immi-nce of the collapse of OPEC, and, secondly, the idea that the problem amenable to solution through 'co-operation'. As a result, the Western rld is having its power in the international economic and political tem gradually whittled away and is choosing to take no effective action top this happening.

The following elements appear to be behind the emerging pattern of nts and developments: solidarity within OPEC; wishful thinking and rray in the West; the watching and waiting game of the Soviet Union; nging views in the Third World consequent upon the revolution in the rld of oil power; and, finally, a new international outlook arising from interaction of these elements.

solidarity of OPEC

Over the last few months the media have had a field-day in reporting unimportant details of what is happening in the OPEC world, whilst e same time ignoring – or, at best, misunderstanding – the funda-tals of that organization's strategy. Thus, Abu Dhabi's reduction of l prices by a few cents a barrel to eliminate the disadvantage of its -sulphur crude compared with oil from other OPEC member coun-has been magnified in headlines as heralding the break-up of the oil

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cartel. Similarly, the fact that a few heads of state of OPEC countries d[id] not attend the organization's summit conference in Algeria last March [was] cited as evidence of internal dissension strong enough to break the organ[iz]ization. But these minor events stand in marked contrast to the continu[ed] success of OPEC in fulfilling its aims and objectives to a higher deg[ree] than its leaders could ever have imagined. For, in spite of the reduc[ed] demand for oil in the importing world (mainly as a result, incidentally, [of] industrial depression and warm winter weather, rather than of deliber[ate] conservation), prices are being kept up, so that the revenues earned by [the] producing nations are now higher per barrel of crude produced than th[ey] were a year ago, or even at the beginning of 1975. Though prices may [not] have kept pace with inflation, they have even gone some distance [to]wards this objective—particularly as OPEC countries are getting th[eir] own imports at lower real prices than a year ago, given the intense c[om]petition for their business between Western suppliers. Oil productio[n is] being held without much difficulty to the diminished demand lev[el in] spite of the increasing potential to produce oil, which, at a marginal c[ost] of a few US cents a barrel, would make handsome profits indeed for [the] producing nations which went out to seek special low-price sales [to] importing nations. And whilst Abu Dhabi and Libya may express [their] concern at the high degree to which their production has fallen away (w[ithout], in doing so, receive the effective support of other OPEC members), o[ther] producing countries are still cutting back on production levels. Venez[uela] will only produce 130 million tons of oil in 1975 and 120 million tons [a] year, compared with 150 million tons in 1974 and a peak annual produc[]tion of 170 million tons. Kuwait is enforcing yet another cutback, a p[] decision which will be made easier by the final nationalization of BP['s] Gulf Oil. And even Saudi Arabia has announced a lower produc[tion] target.

There can thus be no doubt now that the OPEC countries have fo[und] the key to their prosperity and development potential; no doubt that [they] wish to continue to use the strategy which has brought them this succ[ess] and almost no doubt that they are developing the information systen[s and] the institutions which will enable them to implement the strategy [as a] permanent feature of their relations with the rest of the world. If [there] remains any doubt about their success, their motivations, and their c[on]tinuing intentions, then it centres solely on the role of Saudi Arabia w[hose] wish to retain the friendship of the United States relates to the [anti-]Communist' views of her government. But even these views are al[so] tempered by the higher priority which she gives to a solution o[f the] Jewish problem, particularly the future of Jerusalem. Whilst this pro[blem] exists—and who would be optimistic enough to see it disappearing [in the] foreseeable future—Saudi Arabia is going to go along with OPEC's [] strategy, to the cost of the Western world.

Illusions and disarray in the West

The solidarity of OPEC is thus marked by firm views on price maintenance and on production controls whereby the power of the cartel can be maintained. We might also bear in mind that the OPEC countries have, over the last eighteen months, further consolidated their power in the international oil system by taking over from the oil companies the ownership of the producing facilities and the oil reserves which the companies developed through their exploration efforts over the last 25 years. Whilst this might have been expected in the case of OPEC member countries with radical governments, such as Libya and Iraq, it is much more surprising as far as other member countries of the organization are concerned. The oil companies in Venezuela, for example, have survived 25 years of hreats in this direction and now most of their concessions have only less han 10 years to run: nevertheless, it is the relatively mild left-wing overnment of President Carlos Andrés Pérez which proposes that the il industry be nationalized this year. In the Middle East, the negoations in Saudi Arabia for the take-over of ARAMCO, the consortium f American companies which has hitherto exploited that country's assive reserves, are almost complete and the United States appears to ave resigned herself to securing little more than a slight preferential eatment for Saudi Arabian oil and a continuation of American manageent of the oil installations. And even Kuwait has announced the imminent nationalization of the BP and Gulf Oil company responsible for most l development in the country.

Such a wholesale take-over of Western world assets—in return for mpensation which is usually little more than nominal—when added to PEC's strength in terms of the control over the supply and the price of , reflects a revolutionary change in the West's relationships with its w material suppliers. Yet we have persisted in the same sort of wishful inking that has marked our entire reaction to the oil crisis. The Western e is still essentially that 'co-operation' will guarantee the oil we need d ensure that the producers do the right things in their industrialization, onetary, and general international policies. But co-operation, as a aningful concept for regulating relations between sovereign states, plies, firstly, a willingness of both sides to co-operate, and, secondly, possession by each side of sufficient power to 'force' the other to operate. At present, the West is willing to co-operate simply because oil producers have the control and ownership of a resource which is uired for the survival of its socio-economic system. But the OPEC ld lacks any motivation to co-operate because it is not obliged to seek nal co-operation with the West. It is sometimes argued that OPEC ntries *must* have our capital and consumer goods, our expertise and w-how, and that because of this they have no alternative but to corate. But this is wishful thinking with a vengeance, for two reasons:

firstly, most OPEC countries can, in the final analysis, survive withou the goods and services which the West has to offer, because the grea majority of the people in these countries has not yet come to particip in the revolution of rising expectations—and what has not yet bee enjoyed can be foregone, without such 'sacrifices' leading to immedia dangers of social and political unrest; secondly, formal co-operation w the West is not needed by the OPEC countries because they can get t goods and services they want quite easily and cheaply by having Weste countries compete against each other for the business. The Weste world in turn enhances this ability of the OPEC countries by playing competitive game in the absence of any effective common front in relationships with these wealthy buyers. If individual Western countri are prepared aggressively to seek markets in OPEC countries without concern to ensure that their willingness to supply goods and servic related to OPEC changing its supply and pricing strategy over oil, th the oil producers simply have no motivation to co-operate and ca without restraint in devising their oil policy.

Viewed from the OPEC side, the West is in disarray over its resp to the challenge of the new world of oil power. Compare the ess solidarity of the OPEC summit meeting in Algeria (at which even lo standing and deep-seated problems such as the frontier dispute betw two member countries, Iraq and Iran, were solved within the unif atmosphere of the successful oil cartel) with the continued dispute in OECD over Western attitudes towards the oil problem. Or compa willingness of the OPEC countries to put the essential needs of their oil strategy before individual national interest with the unilateral sions of Western countries to give highest priority to domestic prob (of unemployment and of reflation especially), irrespective of the which such policies have upon the demand for oil and hence upo West's relationship with OPEC.

In such a situation, the proposed (but not yet agreed) meeting o producing and oil-consuming nations seems unlikely to yield mor further appeasement by the West in response to the enhanced dema OPEC for more rights in the international system. This is due t West's continuing failure to recognize the need for a fundamental structuring of both national and international economic policies, prelude to regaining an ability to constrain OPEC and so 'sav Western system. Further delay in this respect makes the ultimate solu not only more difficult, but also one which is increasingly likely found only in the ultimate alternative to appeasement, i.e. armed con

The Soviet watching and waiting game

In her attitude and reactions to the oil crisis since 1973 the S Union has come to resemble the sleeping giant. She has indulged in

le by way of 'huffing and puffing' while relationships between the oil oducers and the Western industrial nations changed radically; and, usual for the USSR's normally brisk commercial reactions with spect to oil, there was a delay of well over a year before she adjusted her -export prices for her East European consumers even part of the way wards the quintupled price level of international oil.

One senses here an inability on the part of the Soviet Union to make her mind as to what was her own best strategic response. She was obably hoping that the industrialized nations would not be too badly ected by the oil crisis (and so took no action to exacerbate the situation), cause her continued development depends on the prosperity of the dustrial world, especially Western Europe. This may still be intereted as her preferred option—as reflected in her continued lack of tervention on the international scene. However, the Soviet Union must becoming increasingly sceptical about the ability and willingness of e West to take the counteraction against OPEC which is required to feguard continued economic development and progress in Western rope, Japan, etc. Thus she could well be preparing a second-line ategic option, designed to ensure that her own interests are not too versely affected by a radical change in the economic order of the estern world. And in so far as this second-line option implies an aggrese policy against the unity of Western Europe, it may well have devotees the Soviet Union who would wish it to be made operational without lay—and ultimately incorporated into the détente with the United ates.

The Soviet Union needs to ensure a supply of capital and consumer ods for her development.[1] A depressed—and hence a politically and cially unstable—Western Europe would no longer offer such a guaranted supply. The Soviet response to this possibility could well be to seek omplete and wholehearted rapprochement with West Germany, based an offer of unconditional reunification linked to the Soviet Union's eement to provide a guaranteed market for all the capital and coner goods which Germany would like to sell. In a situation in which st German industry and commerce was depressed because of the lack ufficient demand in the oil crisis-affected Western world, this package ld be very attractive indeed. It would, of course, be in exchange for the nlandization' of the reunited Germany, with all that this implies for Western alliance. In addition, the Soviet Union could and would—for short to medium term—offer Germany guaranteed supplies of oil and ural gas to substitute for the latter's dependence on OPEC.

n this context another European element enters Soviet strategic think- this time in respect of Norway, whose proven and potential

[1] See Michael Simmons, 'Western technology and the Soviet economy', *The ld Today*, April 1975.

reserves of oil and gas offer a longer-term solution to possible Soviet diff-culties in meeting both West German and East European needs for energ. It will not have passed unnoticed in the Soviet Union that Norway pursuing a highly conservationist and nationalistic policy towards t. exploitation of these reserves—and that this is creating tensions betwe Norway and her energy-hungry sister nations in Western Europe. T Soviet Union and Norway are, moreover, beginning to negotiate over t division of their off-shore waters in the Barents Sea where there are h expectations of very large oil and gas resources being found (the So Union, in fact, considers it to be the most highly prospective area in world). All this provides the basis for a Soviet offer to Norway where favourable consideration of her claim in the Barents Sea would extended in return for acceptance of Soviet protection for Norweg resources against all outside powers. This would amount to a kind Norwegian/Soviet condominium over these important oil and gas sources, in the framework of which Norway's continued membership the Atlantic-style organizations was no longer appropriate (and it sh be recalled that Norway has *not* become a full member of the Wes International Energy Agency (IEA) for fear of having to produce indigenous oil and gas resources beyond the level which Norweg policy-makers consider desirable).

Finally, consolidating her separation of both Western Germany Norway from the rest of Western Europe, in a new situation which off either political or economic advantages to the two countries concern the Soviet Union would become a sort of 'honest broker', introducing oil resources which Norway wishes to produce to the markets of Germ and Eastern Europe, thereby eliminating the problem which the U could have in the medium to longer term of meeting the energy requ ments of these countries as well as her own growing demand.

The Soviet Union's second-choice strategy is thus aggressive very sensible from her own point of view. It also has much to attract t parts of Western Europe which are to be divided from the North Atl system. And, in the final analysis, if Western Europe insists on thwar US policy with respect to the containment of OPEC, and hence cr mortal dangers for America as well as for the Western system as a wh then the US may well decide that the Rhine and the North Sea are as good dividing lines between East and West as the lines of the las years, and so have the reality of the new division built into the det which she still hopes to achieve with the USSR.

Indecision of poor, oil-importing countries

For many non-oil-exporting countries of the Third World, the im of the initial traumatic increase in oil prices was moderated by the current high prices on world markets for their own product expor

both mineral and agricultural. These high prices were a function of a strong demand at that time for such commodities by the rapidly expanding economies in the industrialized nations of the world. Now that the latter have moved from expansion into recession, engendered in part by the oil crisis, their demands for primary materials have fallen away and, as a consequence, so have prices. Thus the exporting countries are doubly affected, both by a reduction in the quantities they can sell and the reduced unit price obtainable in the changed market conditions; and unlike the oil producers, the exporters of other commodities have no effective oligopolistic arrangement whereby prices—and hence export earnings and government revenues—can be maintained.

As a result, many developing countries are getting into increasingly severe economic difficulties, with consequential internal problems in both welfare and political terms. The key question for these countries is: to which group of the world's powerful nations should they ally themselves for purposes of rescue, the Western advanced industrial countries or the new wealthy oil-producing and -exporting nations? The former, it is argued by some Third World leaders, have provided and will continue to provide the markets for the commodities that the Third World countries export. Hopefully, they speculate, the Western world's economy will soon be stimulated sufficiently by a series of policies designed to reflate national economies and reduce unemployment, thus ensuring that the demand for primary commodities will once again improve. After the time-lag caused by the need to reduce stocks, there will then be favourable results for the primary producing countries owing to higher sales levels and hardening prices. Meanwhile, the argument continues, many advanced industrial nations will have done their best to maintain their programmes of aid and other assistance, in spite of economic difficulties at home, partly as a consequence of the European Common Market's step in 1974 in strengthening and broadening the bases of its economic relationships with Third World countries. In the light of all this, the argument concludes, it might be better for these countries' economic outlook to stick with the proved economic system of the West—much though this might be deplored politically by many leaders in the Third World. This is an attitude which shows a great deal of faith in the flexibility of the Western system and its ability to overcome even the oil crisis.

However, for other Third World leaders, the oil-exporting nations clearly provide a more effective basis both for short-term help over the immediate economic problems and for the development of a newly orientated economic power group in world economic and political affairs. A few poor, oil-importing nations have already received short-term help from the oil producers—for example, the small nations of Central America from oil-rich Venezuela, and Pakistan and some other Asian countries from the oil producers of the Middle East. But to date

the OPEC nations have not played their short-term potential in the direction very strongly, and many countries—notably in Africa—are still waiting for aid and assistance promised by oil-exporting countries up to more than a year ago (for example, the $200 m. loan offered by the Arab League to the Organisation of African Unity in late 1973 has not yet been paid into the African Development Bank as requested by the OAU).

Though this is undoubtedly frustrating—and even incomprehensible for many of the world's poor nations, which have seen their development efforts thwarted by the high oil prices determined by the exporting nations (rather than by the impact of expected profiteering by the international oil companies)—many Third World countries are increasingly putting their faith in the growing political and purchasing power likely to be exercised by the OPEC countries within a few years. After all, it is argued, the OPEC countries will soon be involved in all the international monetary and other decisions as they force the International Monetary Fund, the World Bank, and other international organizations to heed their views. Moreover, if their solidarity holds and oil prices are thus maintained, they will soon be in the position of having access to more funds for international help purposes than the weakened member nations of the traditional Western system. Is it not Algeria, a member country of OPEC, who is leading the struggle for the New International Economic Order? And is not the former Algerian Secretary-General of OPEC, Abd El Rahman Khane, now the Executive Director of the United Nations Industrial Development Organisation—the UN Special Agency which the Third World created against the opposition of the West and which it sees as an important instrument for bringing in the new economic order? Are not Algeria, Venezuela, and other oil-exporting nations taking the initiative in the Third World's 'Club of 77'—a device for evolving a strategy whereby the poor shall inherit the earth? And is it not the case that there are rich, or potentially rich, oil-exporting nations in all continents of the Third World (Venezuela and Ecuador in Latin America; Nigeria and Algeria in Africa; the Persian Gulf countries in the Middle East; Iran and Indonesia in Asia), on the basis of which the problems of poverty can be put into a regional context and then reduced by means of mutual help within the regions? In this framework, the advanced industrial world becomes more than an irrelevance: it becomes an impediment to the development of the new order—especially in the next few years in which it still has a chance to break the power of OPEC.

For many OPEC nations this option is attractive—not to say inspiring—and it ought to be encouraged. And perhaps the best way of encouraging it is not to do too much too quickly for the poor Third World countries: for if their economic prospects are improved they might revert to traditional relationships with the Western world before the new system had a chance to become effectively established—and, in so doing, help

Western system to survive! Instead, a further squeezing of Third World countries, together with many advanced industrial countries, will soon create conditions in which the poor, oil-importing countries have no option but to ally themselves on a long-term basis with the oil-producing nations and so provide the framework for a revolutionary change in the world's economic and political order.

International Implications

To sum up, the system of advanced industrial nations appears to stand in the greatest danger of falling apart as a result of the failure of its leaders and peoples to recognize that it is under attack from a powerful external force which, in part at least, sees the destruction of the Western system as a desirable end. This failure has been accompanied by the resurgence of the forces of petty nationalism, so that to the external enemy there is added the shorter-term danger of internal dissension between the Western countries. In as much as the United States appears to recognize this and may soon despair of persuading her European allies to forget their minor, local differences and to stop 'knocking' the Americans in monetary terms, it is not inconceivable that she may re-evaluate her expensive protection of Western Europe, retire to a 'fortress America' strategy, and leave Europe to its fate. This is a fate which Western Europe certainly recognizes as being impossible and unacceptable, but one against which it has so far chosen to make little effort to protect itself—in either strategic or economic terms in relation to the power of the OPEC countries.

It is within the context of a weakened, or even abandoned, Western Europe that the Soviet Union could make her expansionist effort to secure the adhesion of Germany and of Scandinavia to her system, and bring the frontier of the Soviet-dominated Europe up to the North Sea and the Rhine—a valuable strategic and economic gain for the Russians. It would give them not only open access to the world's oceans (their long-time geopolitical aim), but also access to the world's most efficient industrial base in a re-united Germany, together with the bonus of control over Norway's oil reserves, which now appear to be potentially larger than those of any other country apart from the Soviet Union herself, Saudi Arabia, and possibly China. As for the rest of Western Europe, it may well get what it has been seeking under the inspiration of French policy, i.e. co-operation with the Arab world, but one fundamentally different from that to which French policy has aspired. The leadership and the control would flow from the Middle East countries, with their oil wealth and their justifiable claim to lead the Third World, and the rump of Western Europe would have to do the bidding of those who for so many generations were controlled by the French and the British. Revenge, indeed, for the expulsion of Islam from Europe many centuries ago.

In the Far East, Japan would be out on a similar limb. In an effort to

avoid dependence on OPEC countries, she would be forced to link with China in a system which would initially be mutually advantage to both parties (with Japanese industrial goods and expertise find limitless markets in China, in return for a flow of oil and other materials which would enable Japan to do without the outside world) the longer term, however, China's strength and her massive popula would reverse the power relationship that developed between the countries in the 1930s and the 1940s, and the best that Japan could h for might be a relationship similar to that of a restructured Germany w the Soviet Union—internal independence, but with no opportunity to independently in relations with other parts of the world.

Elsewhere, the 'new internationalism' could take the form of la regional groupings, with each one orientated towards the locally imp tant oil-producing and -exporting nation: Venezuela and Latin Amer Iran and the Indian subcontinent; Indonesia and South East Asia, a of course, the greater Middle East itself, with the unity of the Arab wo stretching from the Indian Ocean to the Mediterranean Sea and Atlantic.

The basic assumption in all this is that the revolutionary change in world of oil power—and the failure of the Western world to react to revolution except by appeasement—provides the catalyst on which changes can be predicated. This is an assumption which makes oil and power more central to the shaping of world events than any other sin factor, an assumption which would have been dismissed as more unrealistic before recent events in the world of oil brought hom statesmen and others the fundamental significance of this commodity determining world economic and political developments.

The revolution implicit in the changed world that could be brou about by the new oil system may yet persuade Western statesmen something more fundamental has to be attempted than half-hea efforts to stop the waste of energy, and policies which are based on more than pious hopes that we can persuade the new oil masters to operate with us. The key to the right approach lies here in Western — in the necessary restructuring of our economy and society to mini *immediate* dependence on OPEC oil, and on the determination over slightly longer term to become completely independent of it, by disco ing and producing our own considerable oil and gas reserves. And ball comes right back to our court: for decisions to restrain demand and to ensure the highest possible rates of exploitation of ndigenous energy resources.

nergy: the case for self-sufficiency

ARRY LUCAS, JR

Geological estimates point to large undiscovered petroleum supplies which could be made available to consumers given the right policies to increase incentives for expanded exploration.

HE fundamental facts of world energy economics are sometimes lost in e barrage of comment following the Arab embargo. This article conders how two policies—expanded exploration and co-ordination of the troleum market—can help stabilize world production and ensure ainst future shortages. Western policy-makers had been warned for ars that shortages were developing, yet more than one year after the rab embargo, explorationists still had no new incentives for increased tivity—other than the higher world prices which resulted. These higher ices do not cover the greatly increased outlays caused by spiralling flation nor do they adequately cover the high risks involved in a major pansion of worldwide exploration. In addition to vast exploration sses (dry wells, nationalization and expropriation, accidents, delays), rious extraordinary costs—geophysical surveys, administration, rearch, and other special items—must be financed.

Independents (who drill over 85 per cent of the exploration wells in the nited States) and those financing North Sea and other costly offshore ploration attempts have great difficulty in raising high-risk money for e exploratory drilling necessary to find new supplies. Since there is no urance of any return on these exploration wells ('wildcats') until mmercial oil or gas is found, there are only two sources from which y may be financed: (1) profits from previous successes or (2) the pletion provision or other incentives which attract high-risk investnt. Even Shell, Exxon, and BP have difficulty with the large quantities capital required in areas like the North Sea. Development expenses sometimes bankable, but exploration is too risky, even for governnts.

Governments of consumer countries call for even greater exploration new supplies of oil and gas, but no significant *political* action has been en to stimulate this urgent search—a glaring inconsistency. Positive

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political action is both indispensable and inescapable. The America Congress eliminated the worldwide depletion provision[1] (except fo small independents), which was long a primary incentive for the high risk search for new supplies by American companies. Even the packag of energy legislation announced by President Ford in early 1975 does no include sufficient new incentives to stimulate exploration. Nor has th Congress been able to pass energy legislation to stimulate the search fo new supplies.

True, high prices for crude oil will cause a significant expansion drilling; but the few successes must pay for all the failures. The odds a significant economic success are currently estimated at 59–1, a lo shot by any standard. And if only gas is found, even less revenue will received because of the disparity between what the producer gets for and the comparatively low controlled price of gas. It is a well docum economic fact that prices controlled at artificially low levels in the (through FPC regulations) have stimulated the demand for gas, w exploration for and production of new supplies have been held b Similar consequences follow from policies of monopoly gas purchas Western Europe, such as the British Gas Corporation not offering mark prices for discovered yet undeveloped gas in the UK sector of the No Sea.

Until these matters are redressed, a major potential expansion will tinue to be delayed. Even the conservation measures recently announ by several consuming countries (although marginally reducing sumption) do not diminish the significantly more urgent need expansion in exploration. The obvious answer is a policy both to courage exploration, and reduce consumption.

Potential reserves

The discovery of new major reserves of petroleum can trans balance-of-payments problems either by import savings or export ings as these reserves are produced over time. Thus national finan reserves are powerfully strengthened by new finds of petroleum which become a major national asset lasting for 20 30 years dep on depletion rates. For instance, the Alaskan Prudhoe Bay Field, recoverable reserves of over 10 billion barrels, adds (at today's pri over $10 per barrel) at least several billions of dollars to nationa value and to world wealth. Production from large Alaskan reserves politically delayed pipeline (1·2 million barrels per day from one only) has led experts to conclude that 'A very small amount of explo effort at the North slope has yielded one gigantic field –the discov

[1] Currently 22 per cent of the gross income from sales of oil and/or gas certain limitations) from producing properties is free of tax, thus providing capital formation to the extent of what the tax would have been on such

few more Prudhoe Bay type reservoirs would change the national
icture drastically.'[2]

The North Sea, with its currently estimated 25–30 billion barrels in the ritish Sector will give the UK over three million barrels per day by 1980. erhaps these reserves and the unexplored potential will prove to be the ajor economic resource for the British people. Certainly, the foreign-xchange cost of oil imports will be dramatically reduced. But the deve-opment cost of this production continues to increase with estimates nging up to $10 per barrel. Furthermore, the physical amount of eserves which will be eventually produced is a function of price, as well other general political-economic factors. If governments continue to tack the profitability of oil companies, perhaps the figures estimated by overnment sources will never be actually produced.

But is there much more undiscovered new oil which can be quickly und and produced? According to the United States Geological Survey, e amount estimated to be ultimately discoverable in America is equal 50 to 100 times that produced in 1974--the low estimate being 200 llion barrels and the high estimate 400 billion.[3] About one-half the nount in each estimate is located onshore where production could be arted relatively quickly (in one to three years) once discovered. These serves will not be easy to find--if they were, they would have already en proved and on production. Petroleum engineers estimate that prob-ly another 100 billion barrels of oil are recoverable by presently avail-le techniques (secondary and tertiary recovery) with adequate pricing centives.

There is no reason why new oil reserves of similar magnitude to those eady found in the British sector of the North Sea could not also be und in other sectors of the North Sea. The Western approaches to the annel and some sectors of the Atlantic also have high potential which difficult to estimate prior to extensive exploration drilling.

High-risk money and lead times of up to five years would be required putting together the concession-license rights, the geological studies, other essentials. Moreover, there can be no assurance that the erves mentioned above would be found. In fact, Professor Adelman, energy expert from MIT, tells us that 'the ultimate quantity of oil ler the ground is unknown, unknowable, and most important, nteresting'.[4] What is important, indeed critical, is that incentives

See MIT Energy Laboratory Policy Study Group, *Energy Self-Sufficiency* shington: American Enterprise Institute, November 1974), p. 23, footnote.

See Independent Petroleum Association of America booklet entitled *Closing Oil Supply Gap*, Washington, D.C., February 1975. A report by the National demy of Sciences of the same month estimates a somewhat lower figure— billion barrels. However, this and all other estimates indicate enough oil aining undiscovered to justify a major increase in exploration.

Edward J. Mitchell, *US Energy Policy, a Primer* (Washington: American erprise Institute, June 1974), p. 6.

should be increased instead of reduced in order to discover these re sources. Maximum development leading to production will not be achieved unless a maximum *exploration* effort is made. High-ris exploration in turn requires maximum incentives. These should promptly announced and maintained by governments over the life of production (as the renewal source for exploration) and not changed w every political wind or whim.

General strategy

Without a major expansion in exploration the consuming countr will not get increased supplies of oil/gas energy for their societies th homes and factories. Specific strategies will necessarily evolve from policy designed both to stimulate exploration for new secure sources supply and to restrict consumption.

Importing countries should work for increased petroleum supplies several reasons. Worldwide inflation is aggravated by higher pric imports. This is especially troublesome in Western Europe and Ja who import over 90 per cent of their oil supply (compared with about o third in the case of the US). There is another danger potentially m important than higher fuel costs and the shortages experienced owin the October 1973 embargo: because the price is now four or five times pre-embargo figure, wealth will flow from the consuming to the produ countries to an extent that will continue to endanger the world mone structure.[5] Although difficult to quantify, increasing energy supply certainly mitigate the problem. The only sure way to decrease these hi cost money payments to the OPEC producers is to proceed serio with exploration for alternative sources of energy.[6] In addition to culties in international monetary transactions, all products using o become more expensive. This hits the working man and the housew trying to balance the family budget. Inflation, wage demands, and in national monetary instability are all affected by the arbitrary qu rupling of the oil price. A policy which decreases dependence on for imports by the consuming countries will ultimately diminish the p lem.

But to increase home exploration, the domestic price and incentives must be increased. As one possible strategy, the world m could be separated into two general prices- a high domestic pric major consuming countries and a lower world price. A tariff or q system to reduce imports, combined with higher prices for energ major consuming countries, may prove to be the optimum strate

[5] See K. Farmanfarmaian, *et al.*, 'How can the world afford OPEC *Foreign Affairs*, January 1975.

[6] See John C. Campbell, Guy de Carmoy, Shinichi Kondo, *Ener Imperative for a Trilateral Approach* (Brussels: The Trilateral Comm 1974), p. 23.

uming appropriate allocation and concertation procedures are deve- ed. The big expansion needed in domestic exploration would be couraged by the potential cash flow (essential for capital formation) to lorers under a higher pricing policy. Lower-priced imports could be d while new domestic production is being developed under the nulus of higher domestic prices and increased incentives. To ensure t foreign oil remains available to consumers at reasonable cost a strong gramme to develop domestic production, to restrict consumption, l to reduce imports is needed. A major drive for independence is the t way to ensure that consumers can continue to depend on some per- itage of imports– no matter how unreliable they have become.

nerican lessons

Past mistakes in America (such as the continued over-regulation of gas ces, the 1969 cut in the depletion provision from 27·5 per cent to per cent, and environmental delay in political approval for the Alaska eline) could help policy-makers in consuming countries, including the S herself, to reverse dangerous trends towards governmental neglect exploration.

US politicians still have the power to provide incentives for a crash gramme of the 'Apollo' or 'Manhattan Project' magnitude to increase loration for undiscovered petroleum. The following plan for America ludes sufficient incentives to scale up exploration with maximum ectiveness:

Decontrol of domestic oil and gas prices (if extra taxes are put on profits, then plowback provisions must allow credit for reinvest- nent);

Import quota or tariff plan, with relief for special areas, such as New England;

Restoration of the depletion provision for independent 'wildcatters' to it least 27·5 per cent, preferably higher.[7]

e public as well as the politicians must support a major expansion in nestic exploration. A gasoline tax could provide extra funds while tricting consumption and helping balance national budgets. Refunds ough general tax credits could be given to low-income families. siness usage of cars by employees can be refunded by appropriately ling to compensation payments.

An increase in the depletion provision would provide additional cash w for more of the necessary capital formation which is critical for h-risk exploration. Another alternative to stimulate discovery of new erves would be an 'exploration subsidy'. The government could pay

Incentives other than price are needed because world prices are subject to EC marketing strategy and disruptive imports (even temporarily) could ct exploration and production plans.

producers an amount, say $3 per barrel, for new recoverable reserves which are discovered and can be substantiated by an objective geologic report from unbiased experts. Banks have long used such systems to advance development funds for new petroleum finds.

In each of the consuming countries, the following interest groups have clear reasons for supporting an expanded search for new reserves: (1) business—to restore general expansion under long-term, steady, decreasing fuel costs resulting from increased oil/gas production; (2) labour—to protect employment and the purchasing power of wages through the whole economy; (3) the military—to attain secure sources of petroleum supply (furthermore, the balance-of-payments savings from increased domestic production could help finance defence budgets); (4) the foreign policy establishment—to restore policy-making based on the priority of national goals, without compromise due to economic pressure; (5) government and public fund recipients—to help finance national budgets from petroleum import savings as a result of additional production. These groups must begin to lead in formulating energy policy rather than simply follow. Responsible people associated with these interests can take political action by expressing opinions to their representatives. The help of journalists and commentators should be enlisted to 'educate the educators'.

Public policies, especially taxation, must encourage profitability of exploration, and preferably be seen to do so. For example, tax incentives could be given for US companies operating in those foreign areas which are co-operating with America to solve worldwide energy problems. This would increase exploration by US companies in those countries and thereby create national asset values by discovering new reserves.

A campaign calling for a major effort towards finding new supplies of petroleum is the first step towards national energy policies. A policy encouraging the search for new supplies and reducing consumption will unleash the creative potential of those in the petroleum exploration industry to attack energy problems. By removing uncertainty and important incentives, governments will have done their part to restore confidence and leadership in energy policy, the key international economic problem. Consuming countries can co-ordinate their policies accordingly prior to discussions with the producing countries. Real interdependence on a mutually reciprocal basis may result from this international co-ordination of energy policy.

Interdependence and co-ordination

Concerted policies (with stringent mandatory conservation measures) can be enforced in each of the consuming countries with appropriate adjustments to local conditions. The international and domestic political implications of reductions in consumption and imports, and expansion

ploration should be considered in the consuming countries and in their lationships with other countries.

With internationally concerted policies, there could be specific omestic political advantages for those several consuming countries with ubstantial imports, including the developing countries.[*] Such regions as ew England in the United States and Italy in Europe, rather than being enalized by high-priced fuel oil, might actually enjoy reduced energy osts by agreement. Middle Eastern production which was cut back could e restored by increased sales of crude oil to the developing countries or the Eastern bloc, though with complex implications needing further onsideration. Similar difficulties arise in a two-tier pricing system resultng from diversion of lower-priced crude oil into a higher-priced market nd should be considered in a concerted international energy market.

Co-ordination of the international petroleum market could add to ability for the producing areas. Current information suggests that the ast European bloc remains highly interested in Middle East petroleum. he co-ordination of economic and political activity could be an impornt first step to return a measure of stability to this area, thus helping to event renewed hostilities. Similarly co-ordination of the petroleum arket, with or without participation by the Eastern bloc, may help abilize Middle East politics by solving petroleum problems. Mediternean and East European purchases of Middle Eastern crude oil may in ct be the 'natural market' for some Middle East production, especially alternative secure sources could be developed elsewhere through panded exploration. Generally, geopolitical stabilization in the Middle st may be aided by energy deals between consumers and producers, th the oil companies helping to implement the agreements and supply e capital (assuming there are adequate incentives for capital formation especially high-risk venture capital).

Concerning the related problem of petrodollar recycling, skilled pernel from consuming countries could work on infrastructure and lustrialization in the producing countries and the developing countries. ch operations are readily financeable by the producing countries and ke a contribution to the ultimate solution of petrodollar recycling.

Regardless of geopolitical theory, the consuming nations must design icies to encourage prospecting for new supplies of petroleum. Regards of various doctrinaire considerations, exploration must be made fitable and acknowledged to be in the national interest. A direct ollary is that government policies should not 'change the rules in the ldle of the game'. Thus, any governmental policy which decreases the ount of reward the explorer may earn is counter-productive to this t important effort to find new reserves. This is the case of current

Walter J. Levy, 'World oil cooperation or international chaos', *Foreign airs*, July 1974, pp. 690–713.

US congressional action to remove the depletion provision, as is a windfall profits tax without plowback credit for exploration. In the UK in addition to the disincentive of below-market prices paid to producers by the British Gas Corporation, the Government has proposed taking 51 per cent participation in previously discovered fields. This has apparently been modified recently (January 1975) so as not to diminish company profits. Nevertheless, threat or uncertainty concerning reduction of profit potential is harmful to a policy designed to expand exploration and increase production. Retroactive taxation, whether in the UK or elsewhere, again is not conducive to risk-taking and is bound to decrease exploration rather than boost it.

Must the consuming countries wait until politicians establish clear, unswerving, policies for a dramatic increase in exploration? A strong international exploration effort for new sources of petroleum supply remains a major factor in maintaining world order. Both consumers and producers will benefit from increasing exploration. The world needs more energy.

Chinese foreign policy after the victories in Indochina

MICHAEL B. YAHUDA

THE triumph of the revolutionary forces in Indochina has been welcomed by the Chinese as of great historic significance. The events in Cambodia and South Vietnam are the first major victories for a People's War since those won by China herself in the 1940s and by the Vietminh in North Vietnam in the early 1950s. The Chinese are naturally jubilant. The immediate international significance of these victories for China, however, is tempered somewhat by the fact that her leaders have held the view for at least two years that the major danger facing the people of the world is the scramble of the two super-powers for world hegemony, with Europe as the strategic focus of their rivalry. Moreover, since the Fourth National People's Congress of January this year China's leaders have argued that a new world war will inevitably be fought by the two super-powers over Europe at some date in the not too distant future, unless revolution intervenes to prevent it. Clearly from that apocalyptic perspective the events in Indochina become somewhat less significant.

It is still true, however, that China has welcomed the victories wholeheartedly as major revolutionary successes contributing especially to the cause of the Third World and to those engaged in revolutionary struggles elsewhere. The victories are also seen as evidence of the Maoist truisms that a small country can defeat a large one, the weak can defeat the strong, and a just cause will ultimately defeat an unjust one. Above all they have vindicated their concept of People's War and 'that what is decisive for victory or defeat in war is the people and their support, and not sophisticated weapons'.[1] It is a sign of the times that the outcome in Cambodia seemed to be of even greater propaganda value to the Chinese than that in Vietnam: not only was it more of a victory for People's War, because, unlike Vietnam, tanks and heavy artillery did not play such a decisive role, but it was also a contest in which the Russians had backed the reactionary regime until virtually the last moment. Thus for Peking this was also a victory against both super-powers.

Regarding the international politics of East Asia, the humiliation of the United States, while welcome in a revolutionary sense, also poses problems to China in the immediate strategic and tactical senses. In the

[1] *People's Daily* editorial, 'A great victory of world significance', May 1975.

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view of the Chinese leaders, the immediate dangers to China and to independent and sovereign countries in the Asian Pacific arena come fro the Soviet Union rather than from the United States. Thus Chine leaders have long since dropped their opposition to the US presence Japan[2] and China's media have often defended new US naval deplo ments in the Indian Ocean as responses to the initial expansionist mov of the Soviet Union.[3] At the Tenth Congress of the Chinese Commun Party, Chou En-lai declared that the United States was a declining pow For good measure he argued that America had been on the decline sin the Korean War. China's current strategy and tactics in East Asia are try to take advantage of the remaining US military strength in the ar (which in the shape of the 7th Fleet is not inconsiderable) as a bl against further Soviet advances, particularly at sea. At the same ti China has been seeking to improve her formal relations with the es blished governments in the area and to keep them out of any poss Soviet embrace. This does not mean, however, that China's leaders uncritically committed to the continued American presence in E Asia. They are certainly opposed to the United States military prese and overall policies in South Korea and, especially, in Taiwan. Moreov there are signs of an increasing Chinese disillusionment with the Secretary of State, Dr Kissinger.

The 'three worlds' theory

It is important, therefore, to consider China's responses to the tories in Indochina within the context of her foreign policy as a wh The international situation has changed Chinese perspectives a g deal over the last decade. In the spring of 1966, Mao Tse-tung held the war in Vietnam could lead to a major if not a world war, invol China, the United States, and the Soviet Union and fought on Chi territory. For the last two years China's leaders have argued that a world war between the two super-powers, which will be fought on territory of Europe, is inevitable in the long run. If ten years ago Chinese looked forward to a time when, metaphorically, the 'w countryside' of Africa, Asia, and Latin America would overcom cities of the world', that is North America and Europe, they now forward to a union between Western Europe and the less deve countries against the two super-powers in general and the Soviet U in particular.

The clearest formulation of China's changed view of the interna situation was given by Vice-Premier Teng Hsiao-ping in his addr

[2] See, for example, Chou En-lai, quoted in *Japan Times*, 19 January 197

[3] *New China News Agency*, 23 March and 27 March 1974, regarded the can interest in the acquisition of naval base facilities in Diego Garcia in the Ocean as a response to the strong expansion of Soviet naval forces in the Ocean.

he UN General Assembly in April 1974. Teng declared that, because of he emergence of the Soviet Union as an imperialist country, 'the ocialist camp which existed for a time after the Second World War is no onger in existence.' He went on to assert that 'the world today consists of hree parts, or three worlds, that are both interconnected and in con-radiction to one another. The United States and the Soviet Union make p the First World. The developing countries in Asia, Africa, Latin merica and other regions make up the Third World. The developed ountries *between the two make up the Second World.' China herself* as characterized as a 'socialist country and a developing country as well, hich] belongs to the Third World'.[4]

These categories of analysis seem to have provided a framework within hich Chinese foreign policy has been conducted, but in certain respects ey are odd ones for self-conscious Marxist-Leninists to adopt. They are ither distinctions based on class analysis nor do they refer to different stems of production or to different types of social systems. After all, e developed countries of Western Europe are just as capitalistic as the nited States, yet they are classified as belonging to different worlds. rthermore, those countries categorized as belonging to the Third orld span a wide range of socio-economic and political systems, nging from the socialistic at one end of the spectrum to the feudalistic the other. In fact, these categories of analysis belong to the political here, but they are derived from a Marxist-Leninist-Mao Tse-tung ought analysis of world affairs. Once the major premise regarding the per-powers and the significance of the deep-seated conflict (or con-diction) between them and the rest of the world is accepted, there is re logic and merit in the Chinese argument.

Given the Chinese contention that capitalism has been restored in the SSR and that her socio-economic system is that of monopoly state-pitalism, it follows that the Soviet Union belongs to the same category the United States. The Chinese claim that she is even worse than erica because the monopoly capitalism in the Soviet Union is more centrated.[5] The term super-power, moreover, is more than just a rence to the disparity in capabilities between powerful countries; it rs to a country based upon monopoly capitalism which, in the Lenin-ense, must seek continually to expand its markets and areas of con- in the world so as to export more and more capital. A super-power refore cannot but seek to dominate and bully its lesser rivals in the ond World and to impose unequal economic relations upon the less eloped countries. In the Chinese view, therefore, the two super-vers are locked in inevitable conflict. Any accommodation which they

Teng Hsiao-ping's speech as Chairman of the delegation of the Peoples' Re-lic of China to the Sixth Special Session of the UN General Assembly, 10 il 1974. *Peking Review*, supplement to no. 15, 12 April 1974.

See, for example, *Red Flag*, no. 3, 1974.

may reach must be of necessity temporary. The Chinese totall the notion that the world has entered upon an era of détente and re of tensions. On the contrary, they argue that the irreconcilable between the two super-powers will inevitably lead to a major wa or later. Only by combining to resist the super-powers in the polit economic, and the military spheres can the rest of the world seek a

In the Chinese view, the centre of that resistance is the Thir which is seen collectively as 'a revolutionary motive force propel wheel of world history and . . . the main force combating colo imperialism and particularly the super-powers.'[6] It could in argued that the Chinese have cast the Third World in the role of letariat on an international scale. As we shall see later, they have carded their Marxist-Leninist heritage of class analysis; this applied in their analysis of international affairs and it is very muc of their diplomatic armoury. The case of the developed Second more complicated but even here, in the Chinese view, 'in vary grees, all these countries have the desire of shaking off supe enslavement or control and safeguarding their national indep and the integrity of their sovereignty.'[7]

The 'three worlds' framework sketched out above, however accompanied by a more radical Marxist-Leninist class analysi veloped by the Chinese in their ideological polemics with th Union in the early 1960s. Not only do the Chinese analyse the systems and economic crises of the industrialized countries i terms, but they draw a rigid distinction between genuine M Leninists who alone are 'socialist' and those working towards a transition from capitalism to socialism who are said really to b the ranks of the bourgeoisie. In fact, right-wing political parties ferable in the Chinese view, as they are more straightforward an deceive the masses. Thus the Chinese, as distinct from the Russia never enamoured with the Allende regime in Chile, nor have th enthusiastic about the changes in Portugal. In the Third World has not put aside her commitment to moral support of the kind of tionaries she supported in the mid-1960s. One of the paradoxes of Chinese diplomacy in South East Asia is the way in which Chin tivating better relations with the established governments, whil taneously giving open propaganda support to some of the revol movements dedicated to their destruction.

Another important aspect of Chinese analyses of international which also looms large in Peking's operational diplomacy, is a dee standing of what might be called 'Leninist power-politics'. As C lai explained at the Tenth Chinese Party Congress:

We should point out here that the necessary compromises

[6] Teng Hsiao-ping UN speech, *op. cit.* [7] *ibid.*

evolutionary countries and imperialism must be distinguished from collusion and compromise between Soviet revisionism and US imperialism. Lenin put it well: 'There are compromises and compromises. One must be able to analyse the situation and the concrete conditions of each compromise, or of each variety of compromise. One must learn to distinguish between a man who gave the bandits money and firearms in order to lessen the damage they can do and facilitate their capture and execution, and a man who gives bandits money and freedom in order to share the loot' (Left Wing Communism . . .)

inese foreign policy-makers have displayed a keen awareness of such nsiderations, especially since the Cultural Revolution. It is this, for mple, that not only underlies the Sino-American détente, but has o enabled Chou En-lai to 'understand', as he put it, why the Japanese vernment wishes to maintain an American military presence on its ritory.[8]

It is possible to argue that in the Chinese use of these different cataries of analysis there is implicit a sense of a continuum stretching from olutionary Marxism-Leninism, through support of an undifferented Third World and encouragmeent of a capitalist Second World, ht to opposing both super-powers while engaging in balance of-power litics. Or considered differently, these separate modes of analysis and tion may be regarded as being different levels of policy which in theory uld be mutually supportive. In practice, of course, there is often ten-n between them and they frequently pull in different directions.

king's view of Russia

The opposition to the Soviet Union at all levels and in all parts of the rld has clearly been a dominant characteristic of Chinese foreign and leed domestic politics in the last few years. To mention but one mple, the current Chinese campaign about the dictatorship of the letariat and the exercising of dictatorship over the bourgeoisie, which s initiated personally by Chairman Mao, is based on the fear that 'lack clarity on this question will lead to revisionism'. The model before lo is still the Soviet Union. As pointed out, externally, the Chinese ard the Russians as being in an expansionist phase, while the Ameris by contrast are considered to be very much on the decline, a dee which started with the Korean War. However, the Chinese leaders v say that they do not fear an imminent attack from the Russians: ng Hsiao-ping recently claimed that the one million Soviet troops to north of China are insufficient for an invasion. The main threat, rding to Peking, is Soviet expansionism in Europe.

See note 2. Chou En-lai also told a senior DLP politician from Japan that n he last saw Dr Kissinger in November 1974 he chided him for not spending cient time in Tokyo. See *China Quarterly*, No. 62, June 1975, Chronicle and umentation.

The key to China's attitude to Europe is still as outlined by T Hsiao-ping to the United Nations. China would like to see a self-rel Western Europe based on a self-defence community independent of United States and able to stand up to Soviet pressure. At the same ti such a Europe should also identify its common interests with the Th World and consequently seek to co-operate in the construction of a international economic order. While some elements of this would to belong to the remote future, if at all realistic, others are perhaps tangible in the near future. Moreover, the Chinese are still in the pro of deepening their knowledge and understanding of the European C munity.

These points received new emphasis in May when China decide send an ambassador to the EEC and Mr Teng Hsiao-ping visited Fran Teng was the most senior Chinese leader ever to pay an official visit West European country. The choice of France was significant becaus her pivotal political importance in the EEC and because of the indepen spirit of French foreign policy which, like China, has seen virtue more loosely organized international system. Moreover, the French of the role of the EEC in world affairs is closer to that of China than of any other EEC country. An important result of the visit was the agre ment to have regular consultations at the Foreign Ministerial level.

China has placed great stress upon the Third World as a comm with which she can identify herself. There is also a conscious atten instil a sense of internationalism in the Chinese people themselv stressing related themes. Peking clearly sees the Third World as the vital force for change in international affairs. This applies particula those changes which work against the interests of the two super pow Practical examples can be seen in the role China has adopted in the and its various agencies and conferences.

These aspects of Chinese policies are unlikely to be affected by outcome in Indochina. The immediate aftermath involves mainly sideration of China's relationship with the United States and the re of the latter as her leaders begin to reassess their world role in genera that in Asia in particular. For some time China's leaders have beg feel dissatisfaction with America's performance in East Asia. T particularly true of Taiwan where, far from working towards the mentation of the Shanghai Communiqué as understood by China United States has marginally strengthened her ties with the island. true that American manpower has been greatly reduced to 4,500 and that virtually all her military aircraft have been withdr but last year the United States allowed the Taiwan authoriti open two new consulates in America; and instead of leaving vaca ambassadorial post in Taipeh when the incumbent retired, on America's most forceful and experienced senior diplomats, Mr

as immediately appointed as the new ambassador. This year the United tates has gone out of her way to reaffirm her links and commitment to aiwan both before and after the death of Chiang Kai-shek. In his peech of 6 May, President Ford specifically singled out Taiwan as one f the places with which America sought to strengthen her commitment. he effect on the Chinese leaders was distinct displeasure and mistrust.

China has more ground for satisfaction with the progress of Sino-panese relations. While the pace has been slow, there has been con-iderable movement since normalization of relations in 1972—so much that Japan and China are poised on the verge of signing the much-aited peace treaty. So far this has been delayed by Japanese hesi-ion to sign the 'anti-hegemony' clause because of its overt anti-Soviet plications. However, Sino-Japanese relations have been faring much ter than relations between Japan and the Soviet Union. The Japanese reign Minister has recently turned down the Soviet offer of a treaty friendship in lieu of a peace treaty, which has been ruled out by the usal of either side to give way on the sovereignty of the four disputed nds in the Kuriles.

With regard to Indochina and South East Asia, China's policy has owed along the same lines laid down long before the dramatic changes he area. There continues to be progress in the cultivation of official tions at the state level with the ASEAN countries of South East Asia. lowing Malaysia's move last year, the Philippines established diplo-ic relations with China on 9 June and Thailand is expected to do so y soon. It is likely that Singapore would follow suit later and last of all onesia. The much publicized series of greetings and messages to the mmunist Parties of Burma, Thailand, Malaya, the Philippines, Indo-a and others engaged in armed struggle, which were sent on behalf of Central Committee of the Communist Party of China, is not a new nomenon related to the changes in Indochina. Peking's emphasis on e movements first started on China's National Day, 1 October, last . It therefore arose less from any newly perceived opportunities for ouraging insurgency than out of the need to reassure China's fellow lutionaries in countries whose governments Peking was beginning ecognize. China's message was simply that she still considers their lutionary activities legitimate despite the fact that she was improving ial relations with the governments concerned.

ne of the underlying reasons for China's new policy towards the s in the area was made clear by Teng Hsiao-ping at his 7 June uet speech to President Marcos. He warned of Russian expansionism e light of America's defeat and expressed his confidence in the ability e peoples of Asian countries to guard against 'letting the tiger in ugh the back door while repelling the wolf through the front gate'. upported the neutralization of South East Asia so as to block 'super-

power interference and contention'. It should be noted, too, that a rec analysis of the Communist Party of the Philippines (CPP), reflec China's revolutionary perspectives, argued that the normalization state relations was the result of China's increased prestige and decline of imperialism, which left the Filipino regime with no alternat It was further argued that the CPP should feel encouraged rather discouraged as a consequence.[9]

Kim Il Sung, the North Korean leader, visited Peking in May on a foray into the outside world. Though the visit had been arranged so time before the dramatic changes in Indochina, the impact of th changes upon the Korean situation must nevertheless have been cussed. The Chinese committed themselves to supporting the peac moves of the North Koreans towards reunification, but at no stage they go beyond that. Privately, China's leaders let it be understood they opposed any attempts to change the situation by military means that, indeed, there was no immediate prospect of this. The Chinese let it be known that the North Koreans took the same view of the So Union as they did, although the North Koreans could not openly say Their joint communiqué did emphasize repeatedly the unanimity of viewpoints.

The main problem for China in the wake of the victories in Indo would seem to be the relationship with the United States. There is a deep-seated ambiguity if not a dilemma posed by Peking's attit towards the United States in South East Asia. On the one hand, Chi leaders regard the United States military presence as a useful countervailing power to the Soviet Union and, on the other hand, that prese is opposed by China's leaders in most of the countries in the area which it is to be found. Were the United States to withdraw from S. Korea, Taiwan, and perhaps elsewhere in East Asia following her re defeats, both the durability and indeed the military value of remair American commitments would be highly doubtful. The dilemma China therefore is to what extent she can oppose specific important posts of the American military deployment in East Asia, without un mining American credibility as a countervailing power in the a China's leaders cannot set aside their support for North Korea or intention of liberating Taiwan. At the same time they cannot wel a possible total American withdrawal in the immediate future.

[9] BBC *Summaries of World Broadcasts*, FE/4884 and FE/4886.
[10] *ibid.*, FE/4914.

;hina and ASEAN : the changing face of ;outh East Asia

ICTOR C. FUNNELL

HE fashion for normalizing relations with China begun by the mericans in 1972 is one that has been fully accepted by the countries of outh East Asia over the past three years. The China question has been ven priority in their policy-making. Not all of them have yet achieved rification, but the process has developed a momentum that can only d eventually to recognition and the exchange of diplomatic represen- ives. The visitor to these countries is immediately aware that the estion is not whether, but when.

There is an interesting variety in the approach. Malaysia has eagerly inted the way. Singapore and Indonesia still drag their feet. Thailand lers a practical, step-by-step solution, while the Philippines has unted a *diplomatic spectacular, involving members of the Presidential* nily. These, of course, are the countries forming the Association of uth East Asian Nations (ASEAN), a grouping that has shown some ns of vitality as a regional organization, and which now has a per- nent secretariat in Jakarta. Their thinking on China is of particular erest, since they have been the ones most closely aligned with the st; they also happen to have political systems that are more or less n to inspection, where policies form the subject of continuing dialogue debate.

The rest of South East Asia is in a somewhat different category. Burma particular exception, having had a diplomatic relationship with China ng back to her independence in 1949. North Vietnam, too, has urally its own close diplomatic ties with China. The recent successes he Communists in Indochina raise the curtain on a whole important of South East Asia that has been obscured diplomatically while the ting has continued. Now that that conflict has been won, the interest- question arises as to what the exact relationship of the clients of oi in Laos, Cambodia, and South Vietnam are to be with China. This an area that seemed to be excluded from the whole optimistic pano- a that opened up after the Sino-American rapprochement three years In assessing the new perspective, therefore, it is as well to bear in

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mind that China's relations with the Vietcong, the Pathet Lao, a Khmer Rouges are somewhat obscure. Laos, it is true, has disting itself from the others by having a Chinese embassy for some year as well as Chinese troops in the country, but it certainly can assumed that China always sees eye to eye with North Vietnam region. In fact, she does not. The position of Sihanouk, for exam a protégé of China since 1970, seems distinctly expendable sin triumph of Communist forces in his country. The unfolding events next few months may reveal more clearly the outlines of an Ind reconstituted under Hanoi's aegis. Even then, the exact nature relations with China will await definition.

This really leaves the ASEAN countries as the main focus exploration of relations with China. It is now, more than ever, a cha world they live in. Hanoi, as much as anywhere, has helped to shape of its important contours, and it has done so by force of arms. Th important lesson. But there are other forces, external to the region wield an ultimately much greater power and influence. There is the of Sino-Soviet competition and ambitions in the region, sharpened withdrawal of American power from the mainland. There are the peting politics of navies in the Indian ocean, which, far from rende a 'zone of peace, freedom, and neutrality' as the pious formula create a new and dangerous area of rivalry. There is the thrustin nomic power of Japan, which already shows signs of leading to a for a comparable political, if not military, influence. At the same tim passivity or resignation of the United States Congress and public o in the face of Communist success in Indochina raises questions abo usefulness and validity of existing alliances and alignments. All factors illustrate the fluidity so apparent now in the region, and con the guidelines within which the policy-makers have to work. In South East Asia is now undergoing changes greater than at any time 1945. As a so-called 'low-pressure area', it is likely to attract velocity winds from outside.

Despite attempts to achieve a regional response within the A grouping, and to internalize the solutions to the problems they face is little evidence in the eight years' existence of the organization that this will go much beyond mutual consultation. South East As region is now itself divided into Communist and non-Communist There is even less likelihood, therefore, that these two parts will able to achieve a common purpose and a common outlook on affecting them all. The five ASEAN members themselves, recently at Foreign Minister level, failed to devise a common app towards the new Communist states, despite general agreement dangers.[1] Nor did they agree on ways of making their own pat

[1] *The Times*, 15 May 1975.

on into a 'zone of peace, freedom and neutrality'.[1] The most likely hot, judging from past experience, is a series of bilateral initiatives ı other countries. This, indeed, is what has been happening in the ; of China, and it may be instructive, therefore, to see what progress been made in this direction.

.s far as relations with the great powers are concerned, the main ıum has been with regard to China. While relations with the Soviet on had been established by all but South Vietnam and the Philippines, ing had only the odd assortment of Burma, Laos, and North Vietnam how for its efforts, after some notable diplomatic setbacks in recent rs. In the diplomatic exploration and manœuvring occurring since 2, China was thus the obvious gap to be filled. If ASEAN countries e interested in 'neutralizing' South East Asia, or if it were considered irable to 'nationalize' the Malacca Straits, then China, alone of the t powers, was ready to support both initiatives. Clearly then, the suit of national interests, in the United Nations or in the region, uired a reappraisal of relations with China. 'Détente', as one Foreign ister told the author, 'opens the doors to the blast of Chinese power'. were a matter of pressures exerted on South East Asian governments outside powers, then some fine calculations could be made weighing nese influence against Soviet, or even possibly Chinese against North namese.

essing Peking's Intentions

o a large extent, the answer to all these conundrums rests on ASEAN nbers' assessments of China's real intentions. The same question-k hangs over their view of China today as has always been there. It is cally whether China is simply another nation, albeit a very big and nting one, acting in her own national interests, or whether she is an t of revolution, a sort of Communist Party directorate, acting upon ical and social systems in neighbouring countries. This, of course, is ortray the alternatives rather starkly, as if they were virtually incom-ple, which they may not be; and in fact the ASEAN policy-makers ay considerable sophistication in their various analyses. But the fear bversion, which the Philippine Foreign Minister, Carlos Romulo, ntly called 'the greatest danger facing South East Asia',[2] and doubts t the loyalties of the local ethnic Chinese population, are the two important reasons given by senior officials for hesitation in ap-ching China. At the same time, they will admit that the solution does est with China alone, or even chiefly. There is a frank avowal that the solution is in overcoming social and economic problems at home For this time is needed, and the speed of the advance to Peking can t be measured by the confidence of any government in tackling its

5 May 1975. [2] *ibid*, 14 May 1975.

internal problems. Malaysia's lead, for example, in being th ASEAN country to open relations with China, is indicative c government's confidence that it is on top of the guerrillas, and th broadened base of the National Front, led by Tun Razak, has ively subdued communal divisions. China, therefore, relates d to some of the most fundamental domestic concerns of South Eas and a disposition to seek an accommodation with her carries some far-reaching implications for national integration and politic bility.

Nevertheless, the ASEAN countries have shown that they int persevere along the road to Peking. This is a two-way traffic: whi certainly true that Malaysia and the rest have made most of the r China has also shown herself receptive and willing. 'Ping-pong macy' has paid off in effectively removing unfortunate memories Cultural Revolution era in China not so long ago. Officials in Lumpur have little doubt that Peking is anxious to extend its re ships with other governments in South East Asia. In any case, A countries, whether they have 'recognized' China officially or no after all, the Americans have not yet done it either), are in some l communication with Peking through one channel or another. international conference on Vietnam in Paris in January 1973, the nesians were able to avail themselves of the opportunity for talk the then Chinese Foreign Minister, Chi Peng-fei. In July 1974, received what they interpreted as an encouraging signal from the Chi when the plane carrying their Foreign Minister, Adam Malik, betw Ulan Bator and Pyongyang was allowed to overfly China without ma the usual obligatory stop in Peking. Over the past two years, the T have utilized their sporting contacts with China, involving half-a-d or so visits to China, and reciprocal Chinese visits to Thailand, for purpose of exploring the furtherance of relations. Thais and Chinese also been in contact at the United Nations and at various embassie foreign capitals. Singapore, too, has had the occasional sporting with China and has established expanding trading relations. Pres Marcos of the Philippines, who sent first his brother-in-law, Gov Romualdez, and then his wife to Peking last summer, made his firs visit to China in June this year with the aim of normalizing relations

The intention in all this is plain. What, then, of the much publi fears and forebodings regarding subversion and the local Chinese munities? Kuala Lumpur, where there is a sense of elation at bein first ASEAN capital to establish relations with China, is a good pla begin. Subversion and China's relations with the Malayan Comm Party could have been stumbling-blocks in the way of diplomatic nition. It is noteworthy that the assurances demanded by the Malay on these matters were at first rejected by the Chinese, then modifi

course of negotiations to the suggestion that talks about the matter uld be held *after* recognition had taken place. Finally, in face of Malay- n insistence, the Chinese side conceded the point, and agreed to a m of words satisfactory to the Malaysians in the joint communique of May 1974, which established diplomatic relations. Tun Razak was refore able, most astutely, to call Mao to aid in the national elections August last year, which resulted in an overwhelming victory for the ing coalition.[4] The Malaysian case also illustrates China's willingness gree to a form of words that carefully enjoins Chinese living overseas dopt the customs and citizenship of their country of residence. All se are verbal formulae, and the Malaysian authorities are well aware t hostile broadcasts continue from Chinese soil on the *Suara Revolusi* ice of Revolution) radio. They know well enough that even as Chou lai was giving them a banquet in Peking on 28 May last year, he spoke China's 'internationalist duty to support the just struggles of all ressed nations and oppressed peoples'.[5] It is not that there is no lity in China's attitude--quite the contrary. The fact is that China's lic assurances, exacted by the Malaysian Government, could be used y to nail once and for all the Communist opposition at home, or at any to move it out of the jungle and into political life. China, for her part, willing to give such assurances since she has much to gain in South Asia from being seen to adhere to a thoroughly corerct stance of ing only with governments, damping down fears and reassuring the ant. The Chinese know that their new diplomatic mission in Kuala npur is being closely watched in other ASEAN capitals.

ngapore, Bangkok, and Jakarta have few illusions. There are no ical victories to be won at home at present through courtship of a, of the kind that motivated the Malaysians. There is no particular n for Singapore to hurry, and possibly much to lose. For an island has sometimes been regarded by its neighbours as a 'little China', it t seem unwise for the Government there to jostle for a place at the of the queue. The self-image of Singapore these days is not that of mmigrant community, but of an independent island republic ning its own distinct identity. Its perspectives, however, are global not insular. The National Day parade on 9 August brings together pects of the multi-faceted Singapore society, but official policies are ical, in the sense that they are pragmatic and developmental, re- ng maximum international involvement and co-operation. China dy has a certain economic stake in Singapore, whether it be the local h of the Bank of China, shipping interests, or retail outlets. She has t a diplomatic presence, and if that is so it is because of Singapore's

[4] Stuart Drummond, 'The Malaysian elections', *The World Today*, Octo- 74.

[5] ted in *An Historic Visit*, Malaysian Government publication, 1974.

own caution in approaching China. If 'ping-pong diplomacy has too soon', as Lee Kuan Yew put it, it is partly because of the need t struct a nation, and partly because the present political leadersh China is seen as transitional enough to warrant postponement (question of diplomatic exchange till the end of the decade. There course, a fear of subversion, but, as expressed by officials, it come characteristically sophisticated version. Singapore's size and popu density makes it vulnerable. No one supposes that a Chinese emba the city would at once be a seedbed of subversion, or a sort of altern government. The danger could arise from local hotheads seeking volve China in communal or political disturbances as happen Hongkong in 1967. Alternatively, China might be tempted to use th circumstances where she wished to bring pressure to bear on the S pore Government. This is a possibility that a state like Singapore nerable in both an economic and demographic sense, cannot affo ignore. A fear of the recrudescence of communal feeling acts as a rest and is one reason why the authorities would not accept at its face any Chinese disclaimers regarding subversion, local Communists the problem of citizenship.

There is much in this view that Jakarta would agree with, where real concern is with the underground activities of the former PK Communist Party). Memories of 1965 die hard, and Indonesian lea have their own particular reason, in the liaison that sprang up bet the PKI and China before 1965, for being cautious now. The Indone regard the Malaysians as somewhat naïve, and claim that, had it not for their dissuasion exercised through ASEAN, Malaysia might hurried to Peking two years before. Up to now, hostile Chinese broadcasts and support for insurgency in Kalimantan have been obstacles to a resumption of relations with China. In contrast to Ma Indonesia seems not prepared to accept any duality on this score Chinese position. The other major determinant of Indonesia's att is the assimilation of her ethnic Chinese population of about four lion. As the Foreign Minister put it in August 1974, 'We need t re-educate Indonesians of Chinese stock and Chinese in Indones this process, whatever it may exactly involve, is a prerequisite to rel with China, then the reopening of the Chinese embassy in Jakarta be long delayed. At the same time Mr Malik spoke teasingly of rel with China as 'near-far'.[7] The uncertainty could be ended at any ti a plain announcement of a resumption of relations, or possibly pending visit of President Suharto to Peking. This could be sooner many people think, and possibly within one or two years. When happens, it could rightly be interpreted as a sign of domestic confide the part of the Indonesian Government that is not at present evid

[6] *Indonesia Times* (Jakarta), 5 August 1974. [7] *ibid.*

ld also signal a significant change of attitude on the part of China elf.

he Thais have preferred gradually to expand their contact with ıa from the bottom up. Sport and trade have been the two obvious s for development in this respect, undertaken gradually and a step ıme, building up a basis for further moves all the time. Political unıinties within Thailand itself have delayed the timetable, but barriers been pulled down, such as the repeal of Government Decree 53 that ıerly placed restrictions on trade with China. Now that an elected ernment is in being, a decision in the political sphere cannot long be ıed. The Thais see no point in seeking to extract promises from ıa on the sore points of subversion and aid for guerrillas. It is felt in gkok that such promises, even if forthcoming, would be unrealistic. eover, the formulae by which the Malaysians set such store and which saw as blazing a trail for other ASEAN countries to follow, attract ame Thai criticism. A repetition of the principles of 'peaceful cotence', such as is contained in the Sino-Malaysian agreement, cuts no n Bangkok. Subversion, and China's possible role in it, are lively items he Thai agenda. When the Defence Minister, Air Chief Marshal ıee, was in Peking in February 1974 for a sporting occasion, he was by Chou En-lai that China no longer supported the insurgents in land. The reason given was that Thailand now has a democratically ted government.[8] By any count, this is strange. Apart from the wellen Chinese attachment to free elections, it is not perhaps generally wn that insurgency is only for use against authoritarian regimes. In case, the subversive broadcasts of the *Voice of the People of Thailand* T) from Chinese territory, and the activities of Chinese-trained inents, illustrate once more the duality of China's approach. Neverss, Thailand's course is set, with a civilian government installed, and tinuing run-down of American bases. There are already some signit pointers towards an imminent change in policy. Whether or not the munist Party of Thailand is legalized, the strong Thai reaction to the of the Utupao airbase by the Americans in the recapture of the *guez* from the Cambodians has shown which way the wind is blow-The Foreign Minister, Chatichai Choonhavan, recently proposed an nded ASEAN membership to include all the Indochina states plus a, and help for reconstruction of war-damaged countries.[9] Talks on -Vietnamese relations have already begun, and recognition of China ly within the next few weeks.

e Philippines, perhaps surprisingly, has now followed Malaysia in nition of China. The agreement, signed in Peking on 9 June this by President Marcos and Chou En-lai, with its stress on nonference in internal affairs, appears to remove the main domestic

[8] *e Nation* (Bangkok), 17 February 1974. [9] *The Times*, 13 May 1975.

irritant in Sino-Filipino relations hitherto, which has been China's port for insurgency. President Marcos lifted restrictions on trade Communist countries in 1971, and trade missions with China already been exchanged. On the first visit of the President's broth law, Governor Romualdez, to Peking in 1972, he was assured by En-lai that previous Chinese support for Filipino rebels had been a taken policy associated with the disgraced Lin Piao, and would not tinue. This does not appear to have stopped arms and supplies arri however, or broadcast propaganda, despite the smiling face of revealed in basket-ball matches and the pleasantries of Peking recep for members of the Presidential entourage. Nevertheless, if China feels able publicly to renounce any further interest in insurgency at the same time warning against Soviet designs in the area, Pres Marcos in turn was able to hand his hosts a welcome bouquet characterization of China as the natural leader of the Third World world which presumably includes the Philippines too. Significa enough, the Philippines has yet to establish relations with the Soviet

What is clear from this recital is that both sides in each case have will to overcome the obstacles to diplomatic intercourse. One after another is ignoring the visible evidence that Chinese words always mean what they say, and that China can speak with two For her part, China is ignoring the military treaties that bind some East Asian countries into alternative power systems, and appears to say almost anything to soothe their susceptibilities. For both there is an advantage to be gained in terms of influence and at a time of maximum fluidity in Asian affairs. Chinese motives can fidently be ascribed, in large part, to rivalry with the Soviet Peking's expanding commercial interests, and its own version diplomacy' in its new-found role of oil exporter, require better than can be performed by the occasional trade mission or ad hoc ar ment. From the South East Asian side, any country that enters lations with China purely on an individual basis is likely to find at the usual disadvantage of the weak when dealing with the strong ordination of policies between states in the region, on the ASEAN, whether or not this includes a military dimension, and or not it eventually includes Indochina, can only be beneficial respect. China is a nuclear power even while she poses as a champ the Third World. As her economy grows, given her prodigious lation, and providing that there are no further bouts of crippling conflict, it will become harder to deny China a pre-eminent role similar to that now enjoyed by the United States in the Western sphere, or the Soviet Union in Eastern Europe.

[10] *The Times*, 9 June 1975.

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tes of the month

SINAI PACT

x President Ford spoke to Dr Kissinger on the telephone on tember, shortly after the announcement of the interim agreement on between Egypt and Israel, he referred to the accord as 'one of the historic achievements of this decade and perhaps of this century'. ie face of it, there is no doubt about its significance. Especially when d in the perspective of more than 25 years of unremitting conflict, to gypt and Israel signing an agreement more far-reaching than the strictly military adjustments of 1974 is remarkable. By the terms of reement Israel will withdraw (for the first time since the aftermath 1956 Suez invasion) from areas of some importance to her: namely rategic passes of Mitla and Giddi and the Abu Rudeis oilfields in the lf of Suez. In return, Egypt has committed herself in writing to a ceful regulation of her conflict with Israel. Article One of the agreeht reads: 'The conflict between them and in the Middle East shall not esolved by military force but by peaceful means.'

The agreement is described in the official text as a 'significant step' ards the implementation of the UN Security Council's resolution 338. This commits the parties to carrying out resolution 242, the docut upon which most of the efforts to reach peace in the Middle East e 1967 have been based. However, the thorny central issues of the b Israeli conflict remain to be resolved. For Israel is still in occupaof the vast bulk of the Arab territory occupied in the 1967 war; and question of how the rights of the Palestinians are to be given expres(even the question of who is to negotiate the satisfaction of those ts for them) has hardly been touched upon.

is on the speed and determination with which these fundamental s are now tackled that the success or failure of the interim agreement depend. If the Sinai pact manages to create an atmosphere in which er constructive negotiations can take place to implement UN resons, and if it creates the impetus for the tackling of basic issues, then Kissinger's 'step-by-step' approach will be thoroughly vindicated. If -if this turns out to be an isolated step without follow-up, with the dle East stagnating once more in a 'no war–no peace' situation—then e efforts undertaken so far may turn out to have been in vain.

r President Sadat of Egypt, the main argument for agreeing to the offered revolved around the country's domestic concerns. The tian economy, lacking sufficient resources for a large and rapidly

growing population and hamstrung for many years by the neces
remain on a war footing, is in desperate straits. Since the 1973 war
has concentrated on creating the conditions for the economic reg
tion of his country. The first major step was the re-opening in Ju
year of the Suez Canal and the dedication of vast sums of money
development of the Canal Zone and the rehabilitation of the Canal
Now, once the present agreement has been carried out, the Cana
will have been made more secure by being out of range of Israel
and the return to Egypt of the Abu Rudeis oilfields should aff
some much-needed foreign exchange earnings, at least in the shor
(The wells are expected to run dry in less than ten years.)

But for all his determination to reach a final settlement with Is
peaceful means, President Sadat cannot afford to agree to non-b
ency against her while much of Sinai and most of the Golan Heigh
the West Bank are still under Israeli occupation. In his negotiatio
Dr Kissinger, one of his major concerns has been 'linkage'—the q
of what promise was to be contained in his agreement with Is
further progress towards peace on other fronts. As it turned out
was little written into the text providing for further talks, and as
there has been profound scepticism and a measure of open hostility
accord in the rest of the Arab world, reflecting especially Syria
Palestinian fears of being abandoned by their Egyptian ally.

President Sadat has been firm in his defence of his strategy an
expressed his 'pain' at the criticisms of his Arab allies. He would
that the key to peace in the Middle East lies in Washington, sinc
United States is the only outside power in a position to exert any
ficant pressure on Israel to withdraw from the occupied Arab terr
It is vital in his view that the United States should remain involve
have a concrete interest in friendship with the Arabs as well as
Israel. Therefore he considers it a step forward to have reached an
ment that provides for the physical presence of US personnel
Middle East, for this will give America a heightened degree of
personal interest in peace in the area. President Sadat has also
that he made clear to the United States the vital importance of ma
ing the momentum towards a comprehensive peace settlement. H
called for a further Israeli withdrawal from Syrian territory and
joint press conference with Dr Kissinger on 1 September, he
on a telephone conversation he had had with President Ford. '
him . . . to start a dialogue with the Palestinians—because it is a fa
without the Palestinians we cannot reach the final peace we are aft

However, many of Sadat's Arab allies remain unconvinced.
Arabia has given tacit support to Egypt's policy, but both the
Government and the Palestine Liberation Organization (PLO
sharply criticized the accord. President Assad of Syria, whose

prochement with King Hussein of Jordan reflects his fear of being in the lurch by Egypt, has called it a 'serious attempt to split and iken the Arab front'; and the PLO's Chairman, Yasser Arafat, has ected to the agreement on the grounds that the step-by-step approach consisted in 'side-steps away from the central issue and attempts to connect issues that are inextricably interlinked'.

These adverse reactions point up the importance of bringing Egypt's th allies into the peace-making process and giving them some incentive pursue the same peaceful path towards a settlement to which President lat has committed Egypt. If the United States and Egypt fail to allay fears of the Syrians and Palestinians, then the Arab world is likely to ome dangerously divided and the chances of a negotiated peace will ede. Not only will President Sadat's own position be seriously eatened by unpopularity in the Arab world; but the chances of a new breaking out on the Syrian front, or as a result of the ongoing battle ween Palestinian guerrillas and the Israeli army across the Lebanese-eli border, will increase. And in the event of a war between Israel and of Egypt's Arab allies, it will be difficult, if not impossible, for Egypt tay out irrespective of any agreement.

The Israeli view of the Sinai pact differs seriously from that of the bs Israeli spokesmen keen to reassure a public opinion that has essed strong disapproval of any withdrawals have stressed the tical undertakings in the agreement, especially the clause committing sides to refrain from the use of force. The Prime Minister, Yitzhak in, and his Ministers have also emphasized that there is nothing in the rd committing Israel to further negotiations. Mr Rabin has said in his view there is 'virtually no chance' of any agreement with a, and that even if there were it could involve only 'cosmetic correc-s' on the Golan Heights. He has also stressed that his Government no intention of abandoning the settlements that have been built on the n Heights and elsewhere in the occupied territories. At the same , the programme of building and populating these Jewish settlements on. Mr Rabin, who talked some time ago of the 'seven lean years' g Israel before the Arab oil weapon ceased to be effective and his try could be free from pressure from American and Western Euro-governments, may be aiming to survive until then without having to further substantial concessions. Certainly many Israelis see the pact owing them a breathing-space; and Israel's leaders have said that do not expect any further American pressure for more withdrawals.

ere is clearly a danger in the differing interpretations by the two of the interim Egyptian-Israeli agreement. The problem for Dr nger and his supporters is to persuade Egypt's Arab allies that it is being patient and, at the same time, to convince Israel that she ot avoid making further concessions, however unpalatable they may

agree to an amendment of IMF rules which would legalize fl
France, in particular, dislikes this and wants at least a gesture, i
commitment, in the direction of restoration of fixed rates of excha
would seem likely, however, that France must shift, rather than l
responsible for bottling all that gold up in the vaults.

Assuming the gold can be sold, there is a further condition, ex
by France with support from other European quarters, that it be
such a way as not to depress the gold market severely. This is t
mean that sales would be spread over a long period, perhaps well
year. This interpretation is supported by the fact that the am
question (25 m. ounces) is a magnitude of the same order as total
production. IMF member countries will agree not to increase
official holdings of gold during a two-year period. In other word
will not buy gold on the free market except to the extent that other
agencies have sold it. This provision is understood to allow centra
to buy gold up to the amount that the IMF has sold it (in other w
re-absorb the IMF gold sales into the official system) if su
depress the market. The central bank purchases, which would
the market price, would be contrary to IMF rules as they s
present. But IMF rules about gold, it is agreed, are to be reser
Officials close to the discussions in Washington seemed to think th
would depress the market. The target for realizations by the sale of
gold was given as \$2·5 to \$2·8 billion— reflecting an expected pr
only \$100 to \$112 an ounce. The market price was about \$150 an
the week before the conference.

A number of European countries (not just France) are sensitive
market price of gold now, because (*a*) they hold a substantial part of
reserves in gold and (*b*) value it at market prices. This is not merely
keeping. Italy last year borrowed dollars against the market value
gold reserves. That action, in effect, multiplied international liquid
a factor of at least three. Moreover, it— and its precedent for oth
it—settled the future role of official gold to a far greater extent tha
latest agreement has done.

The Americans are calling the new Washington agreement
stage in phasing gold out of the official monetary system. Once the
has disposed of all its gold (not just the third of it covered by the
agreement), the result would be to phase gold out of one import
of the system. Yet central banks show every sign of keeping some
part of their reserves, as protection against inflation, as a war che
long-term speculation, etc. Whatever the motive, it appears th
gold is in the official system, at central bank level, to stay. The IMF
however, get rid of its stock, over the years—and the poorest co
will, one way or other, get half the proceeds.

MALCOLM CRAWF

,oviet oil politics and the Suez Canal

ɫTHUR JAY KLINGHOFFER

The reopening of the Canal favours Soviet interests in the short term, but America's reaction to her strategic disadvantage may lead to a new confrontation with the Soviet Union east of Suez.

ɜE integral relationship between oil and politics in the Middle East was ɪphically revealed during the Arab oil embargo of 1973–4, and the reening of the Suez Canal in June this year is sure to add a new dimension the power game of the region. The United States, both diplomatically d in terms of dredging operations, was instrumental in preparing the nal for a resumption of traffic, but one of the prime beneficiaries of se actions will be the Soviet Union. A reopened Suez Canal will assist Russians economically, politically, and strategically, though the vantages gained in the next few years will probably be neutralized rtly thereafter if the Canal is widened and deepened and additional oil elines bypassing it are completed.

In 1966, the last full year of Suez Canal operations, 75 per cent of all ps using the Canal were oil tankers, oil comprising 176 m. of the 242 m. s of Canal freight. The Canal, which handled 20 per cent of the world's cargo tonnage, was thus a key waterway for oil tanker traffic.[1] The iet Union ranked as the seventh largest Canal customer in terms of rall tonnage and her share was constantly increasing:[2] about 62 per t of the southbound oil sent through the Canal came from the USSR, ugh most oil actually transited northbound.[3] Now, with the Canal rating again, a re-examination of its role in the Soviet oil trade should ve illuminating, particularly since the Soviet Union has become the ld's largest producer of crude oil and one of the five largest exporters rude oil and oil products. The interaction between Soviet oil policies

[1] S. Karpov, 'Tankers and Arab Oil', *International Affairs* (Moscow), Septem- 1967, p. 116 and George Mirsky, 'The Soviet View of the Future of the Suez l—and the Effects of Its Closure', *New Middle East*, January 1969, p. 16.

[2] Gary Sick, 'The USSR and the Suez Canal Closure', *Mizan*, November 1970, .

[3] Robert Ebel, *Communist Trade in Oil and Gas* (New York: Praeger, 1970), 1, and Sick, *op. cit.*, p. 91.

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transport costs by securing oil for supply to Soviet customers certainly more economical than shipping Soviet oil to Asia via route.

The Soviet–Egyptian oil arrangement worked smoothly for thi but the quantity of oil involved in the switch declined in 1972 a fell sharply in 1973. Both political and economic factors played a did the 1973 Arab–Israeli war. On the political front, Egypt was tr extricate herself from strong Soviet influence, and Soviet military ad were expelled in 1972.[7] The decision to decrease reliance on Sov supplies appears to have been made at about the same time. Economi Egypt had been in the unpleasant position of paying much mor Soviet crude oil than the Soviet Union had been paying for Eg crude oil. Indeed, Egypt received less for her crude oil than any other then making sales to the Soviet Union (for instance, Algeria, Iraq, or Libya), the USSR insisting on this low price because of the huge which Egypt owed her. At the same time, Egypt was paying mor Soviet crude oil than any non-Communist state. It was therefor surprising that she sought to reduce her oil ties with the Soviet eventually securing an adequate supply of crude oil from Iraq. In tion, Egypt had generally paid the Soviet Union with cotton rather currency, but Egyptian cotton production declined in 1973, mak more difficult to pay the Russians. The Arab-Israeli war was also since Egyptian oil production in the Gulf of Suez dropped sharpl very little oil was available for sale to the Soviet Union. Althoug Gulf of Suez oil fields were not damaged during the war, Egypt potential hostilities in the area and did not carry out her norma operations.

The Soviet Union's inability to use the Suez Canal had a neg impact on her oil imports from Iraq. Soviet purchases of Iraqi oil in 1972 and the oil loaded at Fao on the Persian Gulf had to be around Africa on its way to Europe. Much of this oil was actually to East European states, and some to Western Europe, rather than livered to the Soviet Union herself. In any case, transport costs higher than they would have been had the Canal been open to The majority of the oil which the Soviet Union purchased from Ira piped from Kirkuk, Iraq, to Banias, Syria (on the Mediterranean Iraq's commitments to West European customers prevented her piping all the oil purchased by the Russians in this manner as the pi capacity was limited. In addition, the Soviet Union had agreed to considerable amount of oil from the North Rumailah oil fields and was no pipeline linking North Rumailah with the Mediterranean

[7] For background, see Anthony McDermott, 'Sadat and the Soviet Union', *World Today*, September 1972.

...w's objectives

...aspect of the Soviet strategy for securing the reopening of the ...was to seek the support of West European states. Moscow argued ...an operative Canal would again be vital to oil traffic, despite the ...osed economies discovered in the use of supertankers travelling ...d Africa and Egypt's plan to construct a *Sumed* (Suez–Mediter...n) oil pipeline. The Soviet leaders called upon West European ...s to exert pressure on Israel so that Israeli territorial concessions ...l lead to the Canal's reopening. No Israeli-Egyptian settlement was ...ed, but the 1973 Arab-Israeli war brought about a disengagement ...ment and provisions for the eventual resumption of Canal traffic. ...ough the United States played the leading role in working out a ...Canal compromise, relegating the Russians to the diplomatic side..., Moscow encouraged the American effort since the reopening of the ...al was one of its highest priorities. Once this objective was secured, ...Soviet Union hardened her position on Middle East issues by inter...ng with American attempts to arrange a temporary accord on the ...an front, encouraging the continuation of the Arab oil embargo, and ...ing greater diplomatic support to the Palestine Liberation Organiza... than ever before.

The Soviet Union constantly emphasized that the reopening of the ...nal would serve the interests of West European states while muting ...fact that there would be definite advantages for herself. Now, with ...Canal operating once again, Soviet oil transport from Iraq and oil ...pments from Black Sea ports to the Soviet Far East and Asian states ...outh Vietnam and Laos may now be added as customers) are clearly ...ilitated. The Soviet Union may also benefit from Egypt's opportunity ...accumulate revenue from Canal tolls, since this increases the likelihood ...t the huge Egyptian debt to the Soviet Union will eventually be repaid. ...ssibly Soviet Canal tolls will be deducted from this debt, thereby giving ...viet vessels what amounts to free passage. Since an open Canal is in the ...viet interest, Moscow will probably try to prevent the outbreak of new ...tilities in the Suez area and will concentrate its support for radical ...ab causes in geographically peripheral areas such as the Golan Heights ...d the West Bank. Another reason for maintaining the peace between ...ypt and Israel is that the Soviet Union does not want to foot the bill for ...another Egyptian military effort.

Moreover, the reopened Suez Canal makes it easier for East European ...s to import oil from the Persian Gulf. The Soviet Union is now faced ...h an oil squeeze due to the great demands of some East European ...mmunist-ruled states (Poland, Czechoslovakia, East Germany, ...ngary, and Bulgaria) and is therefore encouraging them to purchase ...n the Middle East and North Africa. Indeed, Eastern Europe's need ...oil is so great that the Russians have had to resort to oil imports since

1967 to cover growing exports to this region. For the same reason exports to non-Communist states declined in 1974, despite the fact Soviet oil production increased by a healthy 9 per cent.

Only tankers up to 60,000 deadweight tons are capable of sai through the Canal at its present width and depth but, as of last ye only 30·9 per cent of the world's tankers and 4·1 per cent of the tan on order were as small.[8] The trend has been towards supertankers in 250,000–400,000 deadweight range, but the Soviet Union has not op for supertanker construction. Almost all her tankers are small enough enable her to take advantage of the Canal as an oil route. She ma lease out some of her tankers to other states which want to use the Can the shorter sea mileage from the Black Sea to Asian states means th Russians need fewer tankers at any one time and could make som them available for the charter business.

The Soviet Union attempts to harmonize her foreign trade wit political interests through state control over foreign trade corpo and the nationalization of industry. In the area of oil, only one co tion, *Soiuznefteeksport*, is licensed to handle imports and exports oil industry has been nationalized since 1918. International eco and political relations tend to be co-ordinated so that the volume closely approximates to the degree of political cordiality. Trade used as a political pressure instrument; trade agreements can be dela or exports cut off, as happened to Soviet oil shipments to Is November 1956, at the time of the Suez war.

In the present Middle East situation, too, there is a close corre between Soviet oil policies and Soviet foreign policy. The bulk of oil imports comes from Iraq, a state highly dependent on Soviet mil and economic assistance and linked with the USSR by a Frien Treaty, but the protection of the sea route from Iraq is not reall to Soviet behaviour in the area. The majority of oil purchased fro is actually piped to the Mediterranean and even the interdiction deliveries from Iraq by hostile powers would not be devastating Soviet Union, who is a large net exporter of oil and would only ha readjust her export schedules. Protecting the sea route to her customers is also of secondary importance to her, since the quan oil involved is very small (less than five m. tons per year); the leaders are not anxious to increase sales in most Asian markets bec their own oil availability problem (due to large export commitm Eastern Europe) and the fact that they generally do not recei currency in payment They are certainly concerned about the functioning of their import and export programmes, but give pri a largely negative goal, the undermining of Western oil power Middle East.

[8] See Christopher Hayman in *The New York Times*, 14 April 1974.

)scow maintains that Western power in the Middle East is depen- ıpon the control of oil resources and that the elimination of Western ominance will effectively destroy the foundations of this power. The sians also claim that the foreign policies of Western states, particu- the United States, are strongly influenced by the major oil com- ies and that oil played a crucial role in conditioning Western actions ing the last three Arab–Israeli wars. Therefore the Soviet leaders have sistently advocated the nationalization of Western oil property in the ldle East and have given vigorous verbal support to the Arab oil)argoes of 1956, 1967, and 1973–4. They have also assisted Arab es by engaging in prospecting, transport, marketing, and the provision quipment and by showing a willingness to buy oil blacklisted by the st because it came from previously Western-owned oil fields which been nationalized (such as oil from the Sarir oil field in Libya and the kuk oil field in Iraq). The aim of all these activities is to reduce Arab ance on Western oil companies and thereby to render ineffective what Soviet Union perceives as the West's main lever of power in the area.

)ansion of Soviet navy

The reopening of the Suez Canal has now introduced another impor- t factor in Middle East oil politics, the Soviet navy. The Soviet diterranean fleet greatly expanded during the years after the 1967 ıal closure, but geography prevented it from playing any role in the lian Ocean, Persian Gulf, or Red Sea. Some ships from the Pacific t, based in Vladivostok, did make occasional visits to Middle East ers but the reopened Canal has considerably reduced the sea distance m Vladivostok to the Indian Ocean: the route from the naval base at astopol on the Black Sea to the Indian Ocean is 2,800 miles shorter. sage through the Suez Canal thus adds immeasurably to Soviet naval abilities.[9]

Not only the Soviet oil tankers but also the ships in the Soviet navy are erally small. All of them, including the aircraft carrier *Kiev*, are able of passing through the Canal while many ships in the American diterranean fleet are unable to do so. It would be advantageous for the iet Union if the Canal were kept at its present width and depth, but pt would like to enlarge it in order to accommodate greater traffic the United States will probably promote this endeavour.

s the Soviet navy extends its role, it will need both sources of fuel docking and repair facilities. Fuel for the fleet may be forthcoming a refinery at Aden, South Yemen, and the Russians have worked out ous port arrangements at Berbera and Mogadishu, Somalia; Hodeida, en; Aden, South Yemen; Umm Qasr, Iraq; and Vishakhapatnam, a. Soviet naval vessels are permitted to call at Bandar Abbas, Iran,

ee Sam Younger, 'The Suez Canal reopening', *The World Today*, July 1975.

and Bombay, India, and offshore moorings are used at Socotra, S... Yemen. Further east, the Russians use repair facilities at Singapore... they may acquire some rights at Chittagong in Bangladesh and Camra... Bay in South Vietnam.

The Soviet navy is now beginning to operate from a position of gr... strength in sea lanes which are vital to Western oil interests and in... ference with Western, or Israeli, tanker traffic cannot be ruled... However, indirect tactics are more likely in the event of a serious p... confrontation in the area, as Moscow can encourage regional sta... obstruct Western shipping. Emboldened by the presence of the S... fleet, small states such as South Yemen and Somalia could blockade... Bab el-Mandeb Strait, especially if there is another Arab–Israeli... More importantly, the growing Soviet naval deployment made pos... by the reopening of the Canal tends to limit the strategic options av... to Western states, particularly the United States. American officials... repeatedly hinted that the military seizure of some Middle East oil... is being considered as a possible solution to a new Arab oil embargo... the likelihood of such a course of action will clearly be influenc... Soviet naval capabilities in the area

Political manœuvring

On the political front, the Soviet Union is trying to widen the... between the West and Arab oil producers; she is seeking rapproche... with the more conservative Arab states such as Saudi Arabia, K... and Abu Dhabi as well as furthering her contacts with the more ... oil states such as Libya and Iraq. As regards Egypt, the USSR is ... to let the US take the diplomatic initiative in working out an Egy... Israeli interim settlement, even if this causes some delay in conv... Geneva conference at which the Soviet Union would be represented... in the Soviet interest to prevent a new war between Egypt and ... which would probably lead again to the closing of the Canal... Russians would like to maintain some Arab-Israeli tension, but the... tinued existence of Israel (perhaps truncated) is important to... because their influence in the Arab world is largely based on their m... and diplomatic support for the Arab cause against the Jews. Were... to be annihilated, Soviet influence would probably decline. The ... may therefore be rather obstructive at Geneva when attempts are... to resolve Israel's disputes with the Syrians, Jordanians, and Pale... but a more conciliatory attitude may be displayed towards any ... Egyptian peace momentum.

Although the reopening of the Suez Canal presents the Soviet... with some temporary oil and naval advantages over the West... may largely disappear in the future. If the Canal is widened and dee... it will be able to accommodate medium-sized supertankers, thus ...

solete the Soviet Union's present advantage in possessing only small
ikers. At the same time, large American naval vessels would begin to
ss through the Suez Canal along with ships from the Soviet Mediter-
nean fleet. The Canal will also face new competition for the Middle
st oil traffic and may decrease in geopolitical importance. In addition
Egypt's projected pipeline from the Gulf of Suez to Ain Soukna on the
editerranean, Iraq and Turkey may go ahead with plans for a Kirkuk
Dortvol pipeline.

As stated above, Soviet oil policies in the Middle East are largely based
the assumption that the elimination of Western oil influence in the
a will lead to the collapse of Western power. This has been partially
e in the cases of Britain and France whose oil and strategic roles in the
ddle East have been reduced simultaneously, but the Soviet analysis
not particularly relevant to the present behaviour of the United States.
e Russians assume that the influence of American oil companies is
ctically synonymous with that of the US Government but, in fact, the
akening of the companies through nationalization or embargoes may
ually lead to the growth of American military power in the Middle East
d a greater effort to exert influence in regional politics. So far Moscow
effectively exploited American oil vulnerability, but the outcome
y be the opposite of that intended. Faced with the loss of influence on
part of US oil companies, America may well resort to more direct
itary pressure in order to guarantee access to adequate oil supplies.

Finland's security policy

GEORGE MAUDE

Is Finland's pursuit of a Northern European nuclear-free zon more than the price which the Finns have to pay for freedom f direct Soviet military and political pressures?

EVER since Finland's President, Urho Kekkonen, proclaimed hi try's support for a Northern European nuclear-free zone twel ago, this item has remained on the agenda for Finnish foreign Kekkonen's proposal of 28 May 1963 was not the first of its k Northern Europe—some eighteen months earlier the Swedish F Minister, Östen Unden, had made a similar suggestion in th Committee of the UN General Assembly, though as part of a projected scheme for nuclear de-escalation which included further fic proposals of a universal nature. In the event, Unden did not ge support of his own country for the promotion of a Northern Europ nuclear-free zone. This difference in outlook not only between Swe and Finnish foreign policy but also opinion generally in the two coun has persisted. While the Swedes have been cool towards the nuclear zone idea, their Norwegian neighbours have expressed themselves forcefully. Faced with a neutralist or semi-neutralist current in own country, defenders of Norway's official foreign policy have reacted angrily to the Finns' proposal.

In recent years, it has become usual for the Finns, in their detern and obstinate way, to hawk around the Northern European nuclear zone proposal from one forum to another. In 1972, they brought the UN General Assembly and, despite their professed relucta take any stand as to the substance of the European security confe they quickly came out with it again once the CSCE got under Enthusiasm for the idea of a nuclear-free zone in Finland extends be the official policy-makers; it was therefore to be expected that Fi members of Parliament would bring the matter up at last Febru inter-parliamentary conference on European security in Belgrade. the Finns at once tangled with the leader of the Swedish delegatio chairman of the meeting's Security Committee, Sture Ericson. L

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me month the Finnish Prime Minister, Kalevi Sorsa, speaking in
lordic Council session in Reykjavik, re-emphasized his country's
nitment to a nuclear-free zone for Northern Europe. His speech
again followed by bitter comments in the Norwegian press, both
the Conservative *Aftenposten* and from the Labour Party's *Arbeider-
let*, the former newspaper conjuring up the spectre of a possible
nlandization' of the whole of Northern Europe should the Finns'
posal gain acceptance.

The official Norwegian position is clear: Northern Europe is already a
clear-free zone, but creating a permanent obligation to keep it that
y would deny Norway, a Nato member, the right to summon nuclear
rces in an emergency; it would thus restrict the room for manœuvre in
orway's foreign policy, for the threat of changing her nuclear-free
tus may be considered to be an effective counter-thrust to rising Soviet
essure on any part of Northern Europe, including Finland (a scenario
t partially materialized in the Fenno–Soviet crisis of 1961[1]). The
oste given in Belgrade by Sweden's Sture Ericson when confronted
h the nuclear-free zone proposal, namely a direct question to the
viet delegate as to whether the Russians would be prepared to include
Kola Peninsula (and therefore Murmansk) in the Northern nuclear-
e zone, reflected both Swedish and Norwegian attitudes; these amount,
effect, to a rejection of the whole nuclear-free zone concept as unreal-
c for Northern Europe, at least for the present. But while Norwegian
l, to some extent, Swedish national attitudes have been mapped out
arly, the question of how the nuclear-free zone proposal relates directly
considerations of Finnish national interest has been left somewhat
cure. The obscurity has been due in part to the manner of the Finns'
roach: they have often expressed themselves in universalistic terms,
senting a Nordic nuclear-free zone as a step on the worthy road to
eral disarmament or, at least, de-nuclearization of weapon potential.
ny commentators have, in turn, been so suspicious of this approach
o deny the existence of any genuine Finnish national interest beyond
need to seek Soviet good will by promoting an initiative whose
inal form was sketched out by Krushchev in 1959, and which so
ently aims at limiting Nato's options and role in Northern Europe.
onspicuous example of this type of analysis of Finnish policy was
ained in *Time* magazine of 3 March this year.

ooking at Kekkonen's original 1963 proposal, it is noteworthy that,

[1] The so-called 'Note Crisis' began on 30 October 1961, when Andrei Gromyko
ed the Finnish ambassador in Moscow a Note from the Soviet Government,
ssing apprehensions of increased Nato activity in Northern Europe and
nding military consultations with the Finns under the terms of the 1948
o-Soviet security treaty. By promising to be watchful against future threats
s kind, the Finns, helped by the stiffening attitude of Norway and Denmark
Soviet Union, succeeded in putting off these consultations.

apart from abhorrence at the general escalation of the level of armam in the world, he mentioned three specific events in the realm of ir national politics outside Scandinavia as motivating his proposal. most important of these was the Cuban missile crisis that had occu only a few months previously. The fears raised by this crisis were to s extent counterbalanced by the proposal of certain Latin American pı dents on 29 April 1963 for the creation of a nuclear-free zone for L America. U Thant's statement in this connexion that nuclear- zones should be created throughout the world irrespective of the co of test-ban negotiations was especially welcome to the Finns. Thus, w the Cuban missile-crisis showed the vulnerability of small states where in the world, the Latin American proposal offered a way for s states to withdraw in advance from involvement in a crisis situat Moreover, U Thant's endorsement conferred legitimacy on schemes as a means for small states to contribute in a general sense to maintenance of peace in the world. This happened at a moment w Finnish foreign policy was becoming more confident and yet, at the s time, more aware than ever of the vulnerability of Northern Europe to external pressures of international politics.

The reality of these pressures for the North had been demonstrate the Finns by the U2 flight in 1960 (the American pilot, Gary Powers, been heading for Norway) and by the Fenno–Soviet crisis of 1961 was to a considerable degree a product of Soviet fears of an increasing W presence in Northern Europe. In his 1963 speech Kekkonen avoided mention of these disturbing factors for Finnish security but, in repeat his nuclear-free zone proposal in 1965, he openly expressed fears of W German participation in a Nato multilateral nuclear force. Since he voiced the same concern in Moscow that year, his views seemed to more obviously than before in a pro-Soviet and anti-Nato direction

The Northern Balance concept

To understand Finnish motivation, it is necessary to look at the fun mental dilemma that Finland's security policy faces in the event of escalation affecting the existing security arrangements of Nort Europe. According to the Northern Balance theory, a neutral Swe rests between a Finland who has a defensive agreement with the Russ under the 1948 Treaty to repel attacks against them by Germany and allies through Finnish territory, and between a Norway and Denm who have joined Nato but whose commitment is also essentially defe —a point emphasized by the refusal of both countries to have nuc weapons on their soil in peacetime and by Norway's self-denying nance against stationing troops in the Finmark province that border Finland and the Soviet Union. All this leads to what the Norwe strategist, A. O. Brundtland, has called a 'low' Northern Balance.

nay be said to represent in practice a kind of compromise, arrived at vithout much concerted action or forethought, but nevertheless signifying an attempt on the part of the northern states to come to terms with the trategic needs of the great powers, with their own defence needs, and vith their fundamental desire not to be dragged down by too great a ommitment to the ambitions of the great powers. According to theory, he Northern Balance works in such a way that, if it is disturbed by an xtra input from either the Nato or Soviet side, the balance is restored by n increased input from the opposite side—Nato or Soviet as the case nay be; of course this means an escalation of input and an increase in the nvolvement of the great powers in the affairs of the north. It might therebre reasonably be assumed to be in the interests of the northern states hemselves to keep the Northern Balance 'low', avoid any extra input om the great powers, and use the concept of an escalating balance mply as a warning to deter the latter. In practice, things have not orked out like this. In 1961, in spite of expressed Soviet apprehensions, oth Norway and Denmark accepted participation in Nato's Baltic Sea ommand structure, and when the Russians made their counter-move by emanding military consultations with the Finns under the provisions f the 1948 Treaty, Danish and Norwegian leaders hinted that the lationship of their countries with Nato might now be further consolited. In consequence, in terms of the restoration of the Northern lance, the Soviet counter-move failed. Indeed, military consultations th the Finns did not actually take place and the Finns have steadfastly lieved since then that their own reference to the growing 'war-psycho-' in the rest of Scandinavia finally convinced the Soviet Union not insist on these consultations. This Finnish move could in a sense be erpreted as a utilization of the Northern Balance concept, though this time the balance had, in fact, already swung into an imbalance as esult of the original Nato move with regard to Denmark and Norway; r did the Soviet Union ever succeed in redressing the imbalance ough pressures upon Northern European states. The compensating tor for the Soviet Union has lain outside the strictly Northern Euron area, in the continuing development of the Murmansk base, that is ay, in a factor of global significance for Soviet war policy.

The expansion of the Murmansk base-area potential obviously creates own problem for the Finns, but, at any rate, if Nato is to be matched this way--instead of by rising Soviet pressure upon Finland or eden this means that the Finns have a chance of escaping the tical-military pressures that were put upon them in 1961 by the sians. It is no part of Finnish security policy to be drawn into ever-er political and military ties with the Soviet Union. In spite of their aty of Friendship, Co-operation, and Mutual Assistance with the et Union, the Finns are not a part of the Eastern European Socialist

change in Sweden's position would simply leave the North split between the two power blocs. Last summer, apprehensions that Sweden might feel compelled to equip her army with mini-nukes were voiced in Finland but the Swedes later denied any thought of changing their non-nuclear policy. But the growing contacts between Sweden and Nato, and particularly the deal the Swedes tried to make to supply Nato with Viggen fighters, upset the Finns to such an extent that their doubts about Swedish neutrality quickly surfaced in the Reykjavik meeting of the Nordic Council. Despite the fact that these doubts were voiced more particularly by the Finnish Social Democrats on the left wing of the party and not by the representatives of the Finnish bourgeois parties, and despite the fact that the Swedish Social Democrat Prime Minister, Olaf Palme, reassured the Finnish Social Democrat Prime Minister, Kalevi Sorsa, about the continuance of Sweden's traditional neutrality, statements made since then by the Swedish Foreign Minister, Sven Andersson and the head of the Swedish Defence Forces, General Stig Synnergren, have done little to soothe the Finns. On 11 March it was reported in the Finnish press that the Swedish Foreign Minister had admitted the necessity for Sweden to co-operate in weapon technology with Nato while General Synnergren continued to complain about the expansion of the Murmansk base. The Finns would hardly disagree with the concern he also expressed at the escalation of new weapon models among the great powers in general, but the conclusion they draw from this is different. For them the chances of a small state responding in power terms in the midst of a conflict between the great powers seem to be of the slightest, and the Finnish Foreign Minister, Ahti Karjalainen, earlier this year minimized the role the Finnish army could play in a conflict situation. On the other hand, this attitude does not mean that the Finns are throwing up their hands in despair.

The whole of post-war Finnish foreign policy has been based upon a realistic appraisal of great-power strength. So much has this been so that in *apparent* contradiction to their interest in schemes for de-nuclearizing the world, the Finns in the 1960s often gave expression to the idea that the nuclear balance was a powerful factor for peace.[2] The way to resolve the contradiction was to look forward to schemes for de-nuclearization that would occur within the framework of the nuclear balance, that would represent, in other words, a progressive and mutual reduction to the lowest tolerable state of nuclear balance in the world. That is why the strategic arms limitation talks, which were partly hosted by the Finns from 1969 to 1972, were so important for them. When, however, the plan for a Northern European nuclear-free zone is spoken of in connexion with continuing SALT negotiations, as Soviet commentators

[2] See Katarina Brodin, *Finlands Utrikespolitiska Doktrin* (Stockholm: Scandinavian University Books, 1971).

are apt to do, it clearly looks as if the Finns have involved themselves in a project that would only disturb the carefully-negotiated mutually-balanced reductions characteristic of SALT.

The fact remains that when in the middle 1960s Finland first began to promote the idea of a Northern European nuclear-free zone, she did so in the light of the existence of the long-range nuclear capacity of both major power blocs, which became an argument for the Finns against the need ever to have nuclear weapons brought into Northern Europe. The Norwegians, so the burden of this Finnish argument would run by implication, need never feel the lack of the power to call up nuclear weapons to their aid in an emergency, for their protection in all circumstances would depend ultimately upon the long-range nuclear strike capacity of the Nato forces that the Northern European nuclear-free zone proposal would do nothing to upset.

When, in the 1970s, the Finns again began to urge on other nations the wisdom of their Northern European nuclear-free zone proposal, it became apparent that the position of the great powers, in particular the United States and the Soviet Union, needed careful defining. Osmo Apunen, a former member of the Finnish Foreign Office and now Professor of International Relations at the University of Tampere, writing in the March 1974 issue of the journal *Ydin* and at greater length in the January 1975 issue of *Ulkopolitiikka*, suggested a role of guarantors for the great powers in relation to the Northern nuclear-free zone. He associated this with Security Council resolution number 255 (1968)—passed in connexion with the Nuclear Non-Proliferation Treaty and zealously promoted by the Finnish delegate, Max Jakobson—which provides help for non-nuclear states under nuclear attack or threat of attack. But what kind of help would the guarantor great powers be expected to provide to the threatened non-nuclear states of Northern Europe? Will the security of these states have to depend ultimately—in spite of the creation of a nuclear-free zone— upon the nuclear umbrella of the powers? Does this mean a confirmation of the existing security arrangements made for Northern Europe in the late 1940s, for a cross-guarantee, such as a United States guarantee for Finland, would be unthinkable? Or should the guarantee anyway be of a negative kind—which would hardly satisfy Norway—so that the powers, ignoring any obligations under resolution 255, simply commit themselves not to infringe a Northern European nuclear-free zone? Apunen himself comes to no firm conclusions on the ultimate nature of the great-power guarantee, but he implies that the inclusion of the Kola (i.e. Murmansk) Peninsula in the nuclear-free zone scheme would be wrong, for the Soviet Union is needed not as a participant in but as a guarantor of a Northern European nuclear-free area. (On the other hand, in a paper delivered to the California Seminar for Disarmament in February 1974,

another Finnish expert, Professor Bengt Broms, suggested that the Soviet Union should be asked for her views on the inclusion of Kola and other areas into the nuclear-free zone).

The Finnish pre-occupation with a Northern European nuclear-free zone (in a situation in which no Northern European state has ever had nuclear weapons on its soil so far) can only be understood in terms of a Finnish fear that the stability of Northern Europe is becoming more precarious. The fear is inspired not merely by the threat of changes in weapon technology, military equipment, political strategy, and other matters that relate directly to the traditional concerns of security policy but also by changes of an economic nature. The latter all too easily tend to give rise to exaggerated reactions in Finland, as the internal opposition to the rather limited free-trade agreement concluded between Finland and the EEC[3] recently showed. However, when the Swedish Foreign Minister states, as he did on Swedish television on 13 March, that Sweden's neutrality is now being rendered more difficult by the country's economic dependence on the West, and especially in view of Sweden's need to secure her oil flows through the International Energy Agency, there is ground enough for Finnish apprehensions that a serious shift in the structuring of the Northern European scene is in danger of occurring.

Nor is this only a question of Sweden's position. The development of Norway's maritime oil resources might lead to a decision on the part of Nato to intensify its role in Norway--and thus provoke a corresponding reaction in power terms from the Soviet Union elsewhere in the North. It is against the background of this problem that one should see the proposal made at Reykjavik by the Finnish left-wing Social Democrat MP, Erkki Tuomioja, to associate the Soviet Union with Northern European economic co-operation.

A sharpening of the line between Finland and the rest of Northern Europe--as a consequence of growing tensions between Nato and the Soviet Union over a Northern European issue—cannot be desired by the Finns. The creation, by multilateral agreement, of a Northern European nuclear-free zone, in which the great powers would retain an interest as guarantors, might help to restore for Finland the semblance of an internal Northern European security balance, a 'low' Northern Balance in short. Meanwhile, in the Geneva Disarmament Conference, a Finn, Keijo Korhonen, has been elected unanimously chairman of the working-group set up to investigate the possibilities for creating nuclear-free zones in the world. At the moment, however, the prospects for establishing such a zone for Northern Europe are not too encouraging.

[3] For background, see E. Moxon Browne, 'The Special Relations Agreements' *The World Today*, August 1973.

North Sea oil and gas: implications for Western Europe

JUDITH GURNEY

The 1973 energy crisis which showed up the crippling effects of total dependence on OPEC supplies has given greater importance to the development of North Sea fuel reserves in Europe's economic and political scheme. But the new resources may prove to be a mixed blessing.

To assess the implications for Western Europe of North Sea resources it is necessary, first, to consider the extent and nature of Western European energy requirements and, secondly, to try to reach a realistic estimate of North Sea reserves and their probable rate of exploitation. The table on the following page, compiled from estimates made by one of the major oil companies, gives a picture of energy consumption in Western Europe in 1974.

Prior to the oil crisis of 1973, Western European energy consumption increased between 5 and 7 per cent per annum. Between 1973 and 1974, partly as a result of conservation measures, the effects of the economic slump, and an exceptionally mild winter, consumption decreased by 10 per cent. While it is obviously not possible to maintain a negative growth in the years to come, efforts are being made to contain the increase at a low rate. The European Community, at the end of 1974, put forward a plan to cut the growth of energy consumption within the Community to 3·5 per cent per annum. There has been much said and written in all West European countries about the need to reduce energy consumption, but until now this concern has not produced effective legislation for controls except in France, where measures have been introduced to limit the amount of fuel sold by oil companies to distributors and to encourage cutbacks in the use of domestic fuel by allowing tax relief for insulating costs.

The concern of the Community is not just to limit overall energy consumption but to reduce in particular the oil sector in view of the uncontrollable political and economic factors which govern the availability and cost of this fuel. The EEC's plan is to reduce the share of oil in its total energy consumption pattern from the current 61 per cent to 49 per cent

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Energy Consumption 1974

	Oil		*Natural Gas*		*Solid Fuels*		*Water Power*		*Nuclear*		*Total*
	mtoe*	%	*mtoe*	%	*mtoe*	%	*mtoe*	%	*mtoe*	%	*mtoe*
West Germany	134·4	52·3	32·1	12·5	82·9	32·3	5·0	2·0	2·7	1·0	257·1
UK	105·8	49·8	30·8	14·3	68·9	32·1	1·3	0·5	7·3	3·4	214·1
France	120·1	66·7	17·0	9·5	27·0	15·0	12·6	7·0	3·0	1·8	179·7
Italy	100·7	73·2	15·9	11·5	9·2	6·7	11·0	7·9	0·9	0·7	137·7
Scandinavia	51·1	53·5	—	—	7·3	7·6	36·7	38·4	0·4	0·5	95·5
Netherlands	35·4	48·8	32·9	45·4	3·3	4·7	—	—	0·8	1·1	72·4
Spain	38·2	62·0	1·0	1·7	12·3	19·9	8·2	13·3	1·9	3·1	61·6
Belgium and Luxembourg	27·5	55·9	10·0	20·3	11·6	23·6	0·1	0·2	—	—	49·2
Other Western Europe†	86·0	54·2	6·4	4·0	39·4	24·8	25·4	16·0	1·5	1·0	158·7
Total	699·2	57·0	146·1	11·9	261·9	21·4	100·3	8·2	18·5	1·5	1,226·0

* million tons oil equivalent.
† Other European members of OECD (including Canary Islands), Yugoslavia, Finland, Gibraltar, Malta, and Cyprus.
Source: *BP Statistical Review of the World Oil Industry* 1974 (London, 1975).

through the increased development of nuclear power, natural gas and, to a lesser extent, coal. However, the aim to reduce oil consumption to 41 per cent by 1985 would require a sharper increase in the use of nuclear power and natural gas than some Community members would like, and probably a lot more than could be produced. Assuming that total energy consumption in Western Europe can be held down to a 3·5 per cent increase up to the mid-1980s, and that the oil sector decreases from 57 per cent in 1974 to 50 per cent, 800 m. tons of oil would be needed for a total energy consumption in the early 1980s of 1,600 m. tons oil equivalent

Estimated reserves and production forecasts

How many of these 800 m. tons can the North Sea be expected to produce in the early 1980s? Oil discoveries in the Danish and Netherlands sectors of the North Sea are so far limited and only of parochial importance. Prospects for the relatively limited West German sector cannot yet be rated very highly. But 'proven' reserves of the United Kingdom and Norway are significant even by world standards and appear to be expanding steadily. Estimates of total reserves, however, vary considerably, and are revised upwards and downwards in the light of new discoveries or the acquisition of additional data on known fields. The latest reserve figures put out by the UK Government[1] give the following oil reserves in the UK sector of the Continental Shelf:

From areas under licence (principally North Sea)	*million tons*	*Total*
Proven reserves ('virtually certain to be technically and economically producible')	1,060	
Probable reserves ('estimated to have better than 50 per cent chance of being technically and economically producible')	1,205	2,265
Possible reserves ('estimated to have less than a 50 per cent chance of being producible')	835	3,100
From areas not yet licensed	1,400	4,500

These figures are, of course, speculative, although for the first time the Government has provided estimates for 'proven' and 'probable' reserves coinciding closely with those given by oil companies such as Shell, BP, and Conoco. On the other hand, the oil companies have expressed some scepticism about the large government figure for areas not yet licensed—although it is generally accepted that there are additional oil prospects in undesignated and therefore unlicensed areas such as the English Channel, in northern waters, and in the Western Approaches.

Reserve figures for the Norwegian sector of the Continental Shelf are

[1] Department of Energy, *Development of the oil and gas resources of the UK* (London: HMSO, April 1975).

even more speculative, as less of this area has been licensed and explored and data are scarcer. In the area north of the 62°N parallel, for instance, only seismic surveys have been taken so far. These indicate geological structures which could contain reserves, but this area, in which the water is more than 600 feet deep, has not yet been explored. Reserve figures issued by the Norwegian Government after the upward adjustment of the Statfjord field in February 1975 give 860 m. tons of total recoverable reserves.[2]

With regard to the exploitation of its reserves, the UK Government now predicts a production of between 100 and 150 m. tons per annum in the 1980s. More specifically, its forecast range of oil production in 1975–85—based on production from existing and future discoveries in the presently designated areas of the UK Continental Shelf totalling recoverable reserves of approximately 3,000 m. tons—is 100 m. tons per annum in 1980, rising to 140 m.t.p.a. in 1982 and more or less holding this level until 1985. A second estimate, based on total recoverable reserves of 4,500 m. tons, is 130 m.t.p.a. in 1980, rising to 160 m.t.p.a. in 1982 and 170 m.t.p.a. in 1985.[3] Both these forecasts more than cover current and probable UK needs (113·5 m. tons in 1973 and 105·8 m. tons in 1974).

Norway, without the political and economic imperatives that are encouraging the United Kingdom to maximize production, has announced a production figure for the early 1980s of 90 m. tons oil equivalent, divided into 50 m. tons per annum oil and 40 m. tons oil equivalent per annum gas.[4] Production capacity, on the other hand, could probably reach 80 m. tons per annum of oil alone from reserves known to exist. Some believe that a vigorous exploration and development programme could eventually double or even triple this capacity.

Adding the UK figure of 150 m. tons per annum to the Norwegian figure of 50 m. tons per annum, we get a yearly total of 200 m. tons of North Sea oil production in the early 1980s. Taken against the 800 m. ton consumption figure listed above, this means that North Sea oil will cover only about one-quarter of Western Europe's oil needs at that time. Higher, less probable, figures of 170 m. tons per annum UK production and 80 m. tons per annum Norwegian production still only give a total of 250 m. tons per annum or 31 per cent of European needs. If Europe's oil consumption could be cut below 1974 levels to as little as 600 m. tons per annum, which is again unlikely, the North Sea contribution would still only be 41 per cent. Thus, barring a dramatic change either in North Sea oil production, say in the Norwegian sector, or in European oil requirements, North Sea oil cannot and will not completely free Western Europe from its dependence on Middle East oil supplies.

[2] See Bjørn Skogstad Aamo, 'Norwegian oil policy: basic objectives' in Martin Saeter and Ian Smart (Eds), *The Political Implications of North Sea Oil and Gas* (Oslo: Universitetsforlaget, 1975).

[3] Department of Energy, *op. cit.* [4] *Platts Oil Gram*, 14 April 1975.

With regard to the production of natural gas from North Sea reserves, the picture is somewhat different, as shown in the following estimate:

*Estimated Natural Gas Reserves Western Europe**

	Billion cubic metres
Austria	20
Denmark	50
France	190
West Germany	350
Italy/Sicily	150
Netherlands	2,600
Norway	650
Spain	20
United Kingdom	1,420
Yugoslavia	50
Total	5,500

* as at the end of 1973.
Source: *Petroleum Economist*, November 1974.

Some North Sea gas is already in production. UK gas production figures for 1974 are approximately 30 m. tons oil equivalent (an average of 3,500 m. cubic feet per day) in terms of a UK consumption of just slightly more than 30 m.t.o.e.[5] UK production for the 1980s is estimated at between 44 and 55 m. tons oil equivalent, which is equal to 30 to 38 per cent of the total West European gas consumption in 1974. Given reserves in the Netherlands approximately twice those of the United Kingdom and other reserves in West Germany for which there are extensive development plans, some experts feel that total gas production in the North Sea in the early 1980s could meet Western Europe's requirements at that time. But other forecasters believe that gas consumption will rise dramatically in the next decade (it increased from 129·8 m. tons oil equivalent in 1973 to 146·1 in 1974), due partly to the fact that the price of North Sea gas is being held down by nationally controlled gas boards and partly to accomodation to existing and expanding systems within Western Europe for the import of gas from the Soviet Union, Algeria, Libya, and Iran. Shell, for instance, estimates a West European gas consumption even as early as 1978 of 245–250 billion cubic metres, and has forecast that consumption by the mid-1980s will grow to about one-third of Western Europe's total primary energy demand (in 1974 gas was 12 per cent of total consumption).[6] In such a case, North Sea gas production would, of course, be insufficient to meet needs.

[5] Department of Energy, *op. cit.*
[6] *Petroleum Economist*, November 1974.

Economic and political factors

The above levels of North Sea oil and gas production for the early 1980s have been postulated on the basis of certain assumptions about the prevailing economic and political environment in Western Europe. One is a question of simple economics—that it will continue to be profitable to extract oil and gas from the North Sea bed under the same conditions as it is now. In the long run it is not the existence of hydrocarbon reserves which matters, but the economics of extracting them and getting them to the consumer at a price he will pay (or, perhaps more accurately, at a price the Government will tell him to pay). Pricing is extremely important and prices are particularly sensitive to the overall economic climate for North Sea oil and gas reserves, because the North Sea is a high-cost area requiring enormously heavy capital expenditure to explore and exploit. This is true in the case of existing fields and all the indications are that future discoveries will be further north, in deeper waters, involving even higher technical costs for development.

These costs are partially determined by physical conditions such as water depth, the characteristics of the geological structure, closeness to the shore, and whether the reserves will be produced into pipeline or bulk carrier. They are highly sensitive to outside economic factors such as inflation, reflected particularly in the cost of heavy capital expenditure on equipment and the investment climate, and, less directly, by political factors which influence government decisions on the rate of taxation and control of production levels. Taken in connection with price and tax levels, technical costs determine profit margins for individual fields and thus decide which fields can be developed as viable commercial enterprises. At the present time in the United Kingdom, a typical field of less than 500 m. barrels of reserves is not considered capable of producing sufficient profits to warrant exploitation. Under different circumstances this limit of 500 m. barrels could be raised or lowered and, with this in mind, UK tax legislation is currently being written to try to offset technical disqualifications in smaller fields. Unless this proves successful, however, reserves in smaller fields should be viewed with caution when estimating total reserves.

One great problem is that the technical unit cost component in the extraction of Middle East oil and, to a lesser extent, North African oil is very low compared to the North Sea. But oil pricing is not solely determined by costs, competition, or economics: OPEC's prices are the result of deliberate political and long-term economic policies by its members. The critical question in terms of the profitability of the extraction of North Sea oil is whether OPEC will continue to maintain high price levels indefinitely. Should it substantially lower its prices to levels below the unit cost of producing North Sea oil, the economics of North Sea hydrocarbon extraction would be severely strained. Even in larger fields

the technical costs are high, and profitability would quickly disappear if OPEC prices were to sink well below the $11 or $12 a barrel level. On the other hand, the longer OPEC maintains high prices, the more capital oil companies—not to mention investors and governments—will have sunk in the development of North Sea resources. For this reason, some experts argue, marginal fields that would not make significant contributions to the volume of oil and larger fields where profitability was low would still be developed if sufficient capital had been invested in them by the time the general world oil price dropped.

Another assumption with regard to production levels in the early 1980s is that the necessary investment will be forthcoming to fully develop the North Sea oil and gas potential. The investment requirements are enormous. To date more than $10,000 m. has been committed to the North Sea, of which around $2,000 m. has been spent on exploration and appraisal and the balance on development drilling and production facilities. It has been estimated that another $65,000 m. is needed to reach full production, of which $45,000 m. would be in British waters, $17,000 m. in Norwegian, and up to $3,000 m. elsewhere.[7] Sources for the funds are governments, oil companies, and banking concerns.

Investment of this scale relates directly not only to economic conditions but also to political stability. First, the amount of money which goes into North Sea projects will be a factor of the rate of inflation, especially as it is reflected in escalating costs, the level of interest rates, the general mood of bankers' confidence with its effect on the availability of money, the state of world stock markets, and the inclinations of major investors, particularly the holders of 'petrodollars'. Second, investment is influenced by political conditions. The multinational oil companies, on which the development of North Sea resources depends heavily, are particularly sensitive to government activity, evidenced in the North Sea by high taxation and revenue control policies as well as by the institution of state oil companies. The governments of North Sea states have had strong reasons to take a leading role in oil and gas exploitation, partly because of the enormous amount of investment required and partly because they represent highly developed and complex industrial societies whose intricate economic, political, and social systems could be severely affected by the rapid exploitation of new sources of wealth. These governments naturally want to optimize their share of the profits from this exploitation. They also want to control the upheaval which this exploitation may cause lest it undermine their power in the long run. But if they are too harsh in their taxation of oil company profits, or seek too much control through legislation or through exclusive rights given to state-owned companies, such as the Norwegian Statoil and the British National

[7] See Ewan Brown, 'Finance for the North Sea', in *The Political Implications of North Sea Oil and Gas.*

Oil Company, the multinational oil companies may not be prepared to commit themselves to extensive development programmes or to continue to explore in high risk areas for reserves. In which case, the attention of banks and investors could transfer to other offshore areas of the world.

Thus, even under optimum conditions, North Sea oil and gas could not release Western Europe from its dependence on outside sources of these fuels. And given the economic and political problems inherent in the development of these resources, the chances that optimum conditions will prevail are slight. In terms of the European energy situation, the North Sea will not solve Western Europe's problems and will not alter plans for the development of alternate sources of energy, in particular nuclear energy. But it will provide a quantity of indigenous fuels and therefore a certain amount of latitude in which to tackle long-term energy problems realistically. To reap the greatest benefit from the North Sea, Western Europe must, on the one hand, insure that these reserves are developed to their maximum level and, on the other, do its utmost to restrain oil and gas consumption.

Effects on balance of power

Although the North Sea will not solve Western Europe's energy crisis, the existence of this indigenous source of fuel will alter the balance of power within Europe, particularly in terms of the roles played by the United Kingdom and Norway. Now that the referendum has settled the future of Britain within the European Community, not only is the UK's bargaining power and position stronger because of her possession of North Sea oil and gas, but, in turn, European concern in the UK management of these valuable assets, and, by extension, in the state of the UK economy, is stronger. What might have been considered matters for internal consideration --Scottish nationalism, the climate of investment, the petroleum revenue tax, the structure of the British National Oil Company – are now, in a sense, European affairs. It is logical to assume that as a result there will be increased interaction on all levels between the Continent and the United Kingdom, and that this interaction will sometimes lead to friction.

Norway's position in Europe as a result of North Sea reserves is complex. The Norwegian Government's often-stated policy to maintain a 'moderate' level of oil and gas extraction is based on a belief that the small (under four million), relatively affluent (below German but above Dutch levels) population does not need and, in fact, could not assimilate either the amount of oil and gas or the amount of money which would result from conditions of intensive exploitation of North Sea reserves. Europe, on the other hand, would very much like to see intensive exploitation by the Norwegians and is bound to press them increasingly for an accelerated programme of extraction. By what means effective pressure can be exerted

on Norway is, however, difficult to see. One suggestion is that some way can be found to guarantee assistance to the Norwegian shipping industry which, as a result of the disastrous collapse in oil tanker freights, is in serious difficulty. Shipping currently accounts for 10 per cent of the Norwegian GNP and the industry, which had been very ambitious in its expansion plans, now faces the additional problem of 26 m. tons of extra capacity on order. But there is not a great deal of assistance which Europe could offer to the tanker owners as a bribe for increased oil and gas production.

One of the reasons why Norway is anxious to soft-pedal oil exploration and exploitation, particularly north of the 62°N parallel, is the fact that this is an area in which Norway has a direct and continuous relationship with the Soviet Union. Not only do the two countries share fishing in the Norwegian and Barents Seas, but these waters form the approach to the key Soviet port of Murmansk which, among other things, is one of the world's largest submarine bases. Soviet civilian and naval traffic is passing through these seas at all times of the year and there is considerable Soviet nervousness over the possibility of a wide-scale programme of oil and gas extraction, particularly when so much of the equipment and ships involved in underwater hydrocarbon exploration are American. In fact, there is little that can be done in the way of military surveillance from a drilling rig which could not be done better through traditional means such as submarines, buoys, and satellites. But it is equally true that the Soviet navy is looking for new roles and new challenges, which create new risks, and that Soviet admirals, like their Western counterparts, need arguments to justify their slice of the defence budget. Norway is aware of this. The Norwegian Government is willing to allow exploratory drilling above the 62°N parallel, but on its own terms and under strict control. It will certainly resist very strongly any European pressure for the rapid development of this sector of Norway's Continental Shelf.

Another factor in the Norwegian–Soviet relationship is Spitzbergen to the north, whose offshore mineral reserves could possibly, under a 1920 treaty, be open for exploitation by some forty countries. This is one important area in which the development of North Sea reserves could significantly affect the international balance of power. The Soviet Union is bound to be concerned about the development of reserves above the 62°N parallel, as well as about any attempt to use NATO for the protection of North Sea oil and gas installations. While Soviet interest in the development of the North Sea is certain to remain considerable, American interest is peripheral. But to the extent that the US 'Project Independence' creates a demand for skilled manpower, which is of limited availability, or technical expertise and construction capacity, there could be a direct clash between American and European interests in the development and production of North Sea resources. And to the extent that the

North Sea encourages Europeans to construct a European energy policy which conflicts with 'Project Independence', there could also arise increased American interest in the North Sea.

Another area whose attitude to North Sea development is of considerable importance is the Middle East. The critical influence of OPEC prices on North Sea extraction programmes has already been noted; what should also be considered is not only how OPEC will affect the North Sea, but how the North Sea will affect OPEC. The interaction will not limit itself to the price-level. There is, for instance, the question of the possible use of petrodollars in North Sea investment programmes. And what would be the effect on North Sea plans of a new Middle East war?

In the long term, the North Sea will undoubtedly be a positive gain for Western Europe in terms of strengthening its energy base. It may also be a mixed blessing. The existence of this new wealth has already created regional conflicts in the United Kingdom between Scotland and London, and in Norway between the north and Oslo. It is by no means impossible that it may serve to exacerbate regionalism within Europe and accentuate a polarization between the 'richer' north and the 'poorer' south. If this happened, it could be the most important long-term effect of North Sea development on Western Europe's political and economic situation.

Ireland in the EEC

E. MOXON BROWNE

> *'Irish membership in the Community has fulfilled the expectations of the overwhelming majority of Irish people who voted, in May 1972, to enter the EEC'.*

DURING the first six months of 1975, Ireland occupied the Presidency of the EEC Council of Ministers. In this period Ireland's diplomatic resources were fully stretched; but the Irish Government found itself at the centre of Community politics and, at the same time, able to play a pivotal role in formulating Community policy. What might have proved an onerous task for a small country, elicited such an enthusiastic response in Dublin that the Community is able to look back at these months with more than moderate satisfaction. It was, perhaps, little more than a fortunate coincidence that some major milestones marked the Irish Presidency, and all are likely to leave a lasting imprint on the Community's future development. The Lomé Convention, which both simplified

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and revolutionized relations with 46 countries of the Third World, was signed on 28 February. The long-awaited Regional Fund became a reality and if there was disappointment with its size there was, at least, hope that the Fund, now established, would be more generously endowed in the future. The saga of British 'renegotiation' was concluded at the Dublin summit on 10 and 11 March. These events, among others, enabled the Irish Foreign Minister, Dr FitzGerald, to venture the hope on several occasions that the Community's new momentum would not be lost in the latter part of the year. This momentum was all the more remarkable for being achieved amidst economic conditions that were distinctly discouraging.

The experience of the Presidency stimulated observers inside Ireland to assess the benefits and possibilities of Community membership. At no time in the country's history had an Irish Government been so exposed to European affairs. At no time had it needed to define policies on so many issues. Part of the Irish response was institutional: both personnel in the Department of Foreign Affairs and diplomatic representation overseas have been expanded. But the response could also be seen in public opinion: if radio programmes and press coverage are anything to go by, there has been an upsurge of interest in European affairs. The merits or otherwise of membership received further analysis due to the renegotiation' and consequent referendum which were stimulating a simultaneous reappraisal of the EEC in the United Kingdom. The reverberations of the British controversy were keenly felt since it was probably Ireland, more than any other country, which stood to lose from a British withdrawal. Even so, the Irish Government made it clear that in the event of a British departure, Ireland would remain a member;[1] but such a prospect promised serious problems in Anglo-Irish relations. Thus, having been the focus of Community affairs for six months, Dublin is settling down again to the more measured pace of domestic politics. It seems an appropriate time to examine some of the implications of Community membership.

What seems abundantly clear, in the first place, is that Irish membership in the Community has fulfilled the expectations of the overwhelming majority of Irish people who voted, in May 1972, to enter the EEC.[2] After two years, opinion polls show that 50 per cent are still in favour of membership, and 24 per cent against.[3] In crude financial terms, Ireland has done rather well: a net profit of about £106 m. over the two-year

[1] See, for example, the report of a speech made the previous evening in London by Dr FitzGerald, in the *Irish Times*, 14 May 1975.

[2] In a comparatively high poll of 71 per cent, 83 per cent voted in favour and 17 per cent against.

[3] The comparable figures for Britain were 36 per cent in favour and 35 per cent against. The poll was taken by the Commission throughout the EEC in November, 1974.

period is not a paltry sum in the context of the Irish economy. Foreign investment continues to be attracted to Ireland; and trade with continental Europe is expanding steadily with the result that the United Kingdom's position as principal market for exports is being slowly eroded. At the grass roots level, links with the Continent are growing: 60,000 more continental tourists visited Ireland in 1974 than in 1971, and this despite the image of civil strife which Northern Ireland has projected over the whole island.

Beneficial intervention system

In a largely agricultural economy, the Common Agricultural Policy is obviously central to the benefits derived by Ireland since entering the EEC. In Ireland, about 30 per cent of the workforce is engaged in agriculture; in Britain about 3 per cent. While the United Kingdom imports about half its food, Ireland exports about half of her agricultural production. This explains not only the basic divergence between British and Irish attitudes towards the CAP but also the popularity of the Community in Ireland. The pounds and pence speak for themselves:

> Since Ireland joined the Common Market the return on milk alone, despite a butter mountain in Europe, rose from 12p per gallon to today's price of 37p per gallon. Exports account for roughly two thirds of production, and this means that the value of the 600 million gallons exported has risen from £72 m. to £222 m. In the case of beef, and again despite a huge world surplus which has left the EEC with 380,000 tons in intervention stores, the return on Irish exports, which account for 85 per cent of our total beef production, has risen from about 22p per lb. to 39p per lb.[4]

The Community system of intervention is, of course, primarily responsible for this agricultural prosperity. Intervention is tantamount to export as far as Irish produce is concerned: 60 per cent of Irish beef was bought into intervention in 1974. Obviously this results in higher prices for the Irish consumer, but the earnings from beef exports enable Ireland to afford the many manufactured goods that have to be imported. Even so, attitudes towards the CAP are not uniformly favourable in Ireland, even among farmers. The extent to which they benefit from the CAP depends on the kind of farming they do, and the size of their farms. Sheepmeat is not covered by the CAP and thus in periods of over-supply the French market, for example, can be choked off with unenviable results for the producer. Even intervention itself has its shortcomings. In the autumn, the traditional time for selling off cattle before the winter fodder shortage, the system hardly copes with the demand, and farmers find themselves with unsaleable cattle on their hands. But without any intervention system at all, the position would be very much worse.

[4] *Irish Times*, 17 April, 1975.

Opposition to the CAP in Ireland focuses on the Farm Modernization Scheme which is designed to encourage so-called 'transitional' (i.e. non-viable) farmers to go out of business so that their land can be incorporated into larger and more efficient productive units. This, in fact, represents the Irish dimension of the Mansholt Plan which aims to reduce the Community's farming population. In Ireland, however, about two thirds of all farmers fall within the scope of the 'transitional' category; and there are fears that the Scheme will contribute further to the depopulation of the west while, at the same time, aggravating the country's unemployment problem. The unrest of dissident farmers, having failed to find sympathy in the Irish Farmers Association (which tends to support the prosperous farmers and the Scheme), is expressed through the Farmers Defence Association which has been formed to take care of the smaller farmer and, in particular, to agitate for some modifications in the Farm Modernization Scheme. Both the Regional Fund and the Hill Farm Scheme will have the effect of partly offsetting the worst rigours of the Farm Modernization Scheme, and the Government is inevitably accused of sponsoring contradictory policies with regard to agriculture:

> The result is that small farmers are being forced out on the one hand, and are being induced to stay on the other; but, unfortunately for Ireland and the profusion of small farmers in the West, the pressure created by the Common Agricultural Policy to move out massively outweighs the inducement to stay –the benefit of the latest farm increases, largely accruing to the bigger farmers because of their level of output, is estimated by the Department of Agriculture at £60 m. this year, while the inducement to stay is a mere £6 m. allocated under the Disadvantaged Area scheme, which will boost unacceptable incomes by a paltry average of £100 per annum.[5]

The contradiction is more apparent than real. In this situation the Irish Government is faced with the conflicting claims of economic logic and social justice. While the former must be allowed to have their head, the latter cannot be ignored.

The Regional Fund

The slow and painful process whereby the Regional Fund has, at last, borne fruit was nowhere watched with more interest than in Ireland. By any criteria, Ireland deserves to be a major beneficiary from the Fund, not only because of her relatively low living standards but also because there exist serious imbalances between the western and eastern sides of the country. The promise of the Regional Fund, designed by the Community to be one plank in the broad strategy of economic union, was one of the most powerful factors in persuading the Irish to enter the EEC. An additional benefit of the Regional Fund is the associated proposal that border areas

[5] *Irish Times*, 28 February 1975.

[illegible] treated as special cases in an attempt to mitiga[te] [illegible] of national frontiers. Such a notion obvious[ly] [illegible] attraction for any Government in Dublin.
[illegible] 'regionalisation' of the Regional Fund at the Paris summit [illegible] was largely due to the joint pressure exerted by Italy a[nd] Ireland whose common interest in the Fund made them unwilling to [illegible] postponed. Britain might well have joined them in making [illegible] Fund the condition of attendance at the summit, were it not for the [illegible] 'temptation' which special favours (sought or received) would [illegible] entailed. In the year which had elapsed between the Copenhagen a[nd] Paris summits, the Fund had been whittled down to half its original size and the areas eligible for grants were redrawn more selectively. In the case of Ireland, however, neither her share of the Fund nor the areas [illegible] benefit were reduced. Ireland's share of £35 m. over the next three yea[rs] represents 6 per cent of the total Fund, but is easily the highest allocation on a per capita basis.

The impact of the Regional Fund in Ireland is not likely to be dram[atic] in the foreseeable future. The amount allocated to Ireland was gree[ted] with dismay by Opposition deputies in the Dail and by prospective be[ne]ficiaries in the west of Ireland. None the less, the Government [has de]fended the Fund as a 'real and tangible benefit' and the Taoiseach str[essed] that, in the prevailing economic circumstances, the mere establishm[ent] of the Fund was a major achievement.[6]

There has ensued a lively debate in Ireland as to how the first [year's] allocation (£8 m.) should be spent. The amount is negligible in com[parison] with amounts already spent by the Government in the po[orer] regions; and in comparison with sums received from other EEC sou[rces]. Even so, the Fund has retained a peculiar 'charisma' of its own, and th[ere] has been no shortage of suggestions as to how it should be deplo[yed]. Among the more imaginative plans are: the construction of a deep-w[ater] port in the Shannon estuary; the building of a good road from D[ublin] to the west; and various schemes on the border with Northern Irela[nd]. The debate is occasionally dampened by the Government's declared [in]tention of using the Fund simply to defray the cost of plans alr[eady] approved. But there seems to be a growing conviction that the mo[ney] should be used for separate and identifiable schemes. Paradoxically [the] west's chronic feeling of being neglected is exacerbated by the arrival [of] the Fund and doubts are often expressed about the Government's go[od] faith where regional development in the west is concerned. The deba[te] over the Regional Fund has also highlighted the lack of any co-ordinat[...]

[6] On 17 December 1974, speaking to the Dublin Chamber of Commerce, [Mr] Cosgrave said: 'The Fund may seem small in comparison with hopes—but it [is] being given to us largely by other countries in furtherance of the aims of the Community. Would we willingly face—or could we raise—an equal amount [here] from our own resources—by additional taxation?'

the Government charged with overall regional planning. A constraint on the Government's freedom in deploying the Fund ...ely is the understandable coolness of the British Government ... cross-border schemes. In the context of British hopes for ...ern Ireland, and in view of the fragile situation there, any overt ...eration with the Republic could wreck the chances of a permanent ...tion.

...ew 'entente'

...f the British have traditionally felt themselves to be isolated from the ...itinent, the Irish have been doubly so. Both insular, and geographi...y peripheral, Ireland has been shielded from the mainstream of ...opean civilization by centuries of British influence. In his seminal ...k on Irish politics, Professor Chubb writes:

> ...ritain not only influences the Irish, it also insulates them. . . Very ...tle of European thought or experience has ever been directly tapped ... assimilated by the Irish. . . Because of the irredentist obsession of ...litical leaders with the problem of the six Ulster counties, and con...quent neutrality in and after the Second World War, Ireland was ...t off to an extraordinary degree from the mainstream of Western ...ropean life, at least until the late 1950s.[7]

...mbership of the EEC has lifted the veil of British proximity and allowed new relationships to flourish. The most remarkable example of this is the new 'entente' developing between Paris and Dublin. This was given a promising start by the co-operation entailed in handing over the Presidency of the Council from one country to another. Even before Ireland succeeded France in the alphabetical rotation of the Presidency, Dr FitzGerald had deputized for M. Sauvagnargues in the European Parliament.[8] The Paris summit of December 1974 was threatened by Irish absence if regional policy was not placed on the agenda, and it was the mutual desire of the two countries to see the summit take place which stimulated the French Government to break the deadlock over the question of regional policy. M. Chirac, the French Prime Minister, visited Dublin on 6 November 1974; the visit was reciprocated by President O'Dalaigh on 14 March 1975. A French naval visit to Dublin on 19 November and the opening of the Alliance Française (two weeks earlier) in Dublin were the ceremonial and cultural icing to a substantially diplomatic cake. Since diplomacy of this kind is rarely conducted for its own sake, it can be safely assumed that it was not simply diplomatic courtesy which persuaded the French to court the Irish during the Presidency: they share views on some important strands in European

[7] B. Chubb. *The Government and Politics of Ireland* (London: Oxford University Press, 1974) p. 46.

[8] Dr FitzGerald reported on the outcome of the Paris summit to the European Parliament.

policy. Firstly, both countries wish to see the CAP maintained roughly its present form. The only real difference of opinion is over lack of a common policy for sheepmeat which enables the French close their borders to Irish exports whenever it is opportune to do At the time of writing, however, moves are afoot to reach a bilat agreement on this problem while the broader question of a comn policy remains unresolved. Secondly, Ireland and France have share common antipathy towards Britain's 'renegotiation', although a Brit withdrawal from the EEC would have been far more serious for Irel than for France. France looked to the Irish Presidency to settle the Brit problem and on this issue, as on others, Ireland is able to perform a us 'bridging function' in the periodic Anglo-French disagreements wh characterize the process of European integration. Thirdly, in m general terms, Ireland and France share a deep commitment to integ tion in Europe although for rather different reasons. While Fra views European unity as a vehicle within which to preserve natio 'grandeur' and pursue distinctly national policies, Ireland hopes to e an influence out of proportion to her size on issues which will ultima affect her. Despite her lack of great-power status, Ireland is sensit about both the symbols and substance of national sovereignty for reas which are largely explained by her constitutional evolution as a separ state. This shared view of commitment to Europe, fused with natio sensitivities, again distinguishes Ireland and France from the Uni Kingdom— the latter believing that national sovereignty is best enhan by a minimal pledge to regional integration.

Notwithstanding this new 'French connection', Ireland's foreign re tions are likely to be dominated for the foreseeable future by her relati with Britain. Although trade is expanding steadily with other E countries (especially France), the major proportion (over half the to is conducted with Britain. Politically, Northern Ireland will remain most sensitive issue between both countries and there are many kind problems: extradition, antiterrorism laws, and litigation involving b countries in the European Court of Human Rights. More recently search for oil under the seabed has led to conflicting claims on Rock Membership in the EEC gives both countries a new forum in which discuss, and resolve, these continuing issues.

Sovereignty redefined

As mentioned above, Ireland does not share the small state's nor contempt for national sovereignty. This is largely due to her pecu historical development as a distinct national entity after centuries quasi-colonial status. Even after independence, Ireland's economic pendence on the United Kingdom has meant that her freedom of m oeuvre in European, let alone global, affairs is seriously circumscrib

One of the main attractions of Community membership for Ireland was the chance of freeing herself from an essentially unequal trade relationship with the United Kingdom. Thus EEC membership has appealed to the two dominant strains in the Irish political culture: the revolutionary and the post-revolutionary.[9] The former perceives national independence as the paramount issue (at almost any cost) while the latter believes that, on grounds of economic pragmatism, compromises have to be made. From one point of view membership in the EEC is the culmination of a 50-year struggle for national self-determination; from the other point of view membership is a necessary concession to the realities of contemporary Western Europe.

It is of course arguable that sovereignty is a nebulous concept in 1975, especially in an 'open' economy like Ireland's, but in exchange for an obligatory restriction of sovereignty in the Anglo-Irish context, membership in the EEC involves a voluntary pooling of sovereignty in a wider regional arena. Thus Ireland's voice is solicited and heard on a wide range of issues which hitherto would have passed her by but which could affect her.[10] Ireland's diplomatic horizons have suddenly expanded; and Ireland is able to mould the external environment into a favourable configuration. The Government's White Paper advocating entry into the EEC anticipated these possibilities:

> The powers which, by becoming a member of the Communities, we should agree to share with the other member states would in fact be enhanced rather than diminished by the co-operation involved.[11]

The Community provides Ireland with a new fulcrum on which to exert leverage against her more powerful neighbour. Issues between the two countries can be raised in a multilateral setting instead of bilaterally, thus avoiding some of the acrimony and claustrophobia that has characterized Anglo-Irish relations. The Northern Ireland problem, for example, was given an airing in the European Parliament via a question on cross-border development.[12]

Within Ireland, membership has come under the renewed scrutiny of two 'umbrella' groups, the Irish Council of the European Movement and

[9] For an elaboration of these two strands in the political culture, see A. Cohan, *The Irish Political Elite* (Dublin: Gill and Macmillan, 1972).

[10] For a fuller account of Ireland's 'new diplomacy', see P. Keatinge, *The Formulation of Irish Foreign Policy* (Dublin: The Institute of Public Administration, 1973) pp. 295–301. See also the same author's article in *The World Today*, August 1973, pp. 343–51, and Helen Wallace, 'Holding the ring: the EEC Presidency', *ibid.*, August 1975.

[11] *The Accession of Ireland to the European Communities* (Dublin: The Stationery Office, 1972) p. 60.

[12] The question was asked by Hans-Edgar Jahn, a German Christian Democrat (himself from a constituency bordering East Germany) in the European Parliament on 13 November, 1974. It read: 'What possibilities does the Council see for eliminating the contrasts between two member states of the Community (United Kingdom and Ireland) by means of a practical development for the region concerned?'

the Irish Sovereignty Movement, which co-ordinate the 'pro' and 'anti' sentiments in the country respectively. Opposition to membership has risen since entry but not substantially. Ireland has clearly benefited from the EEC and the peregrinations of Dr FitzGerald to Europe's capitals are probably the best advertisement the Community has had in Ireland. As at Westminster, parliamentary control over Community legislation is, in theory, exercised by a Committee which, in the Irish case, consists of 36 members drawn from both the Dail and Seanad. The Committee has been severely constrained by lack of facilities and their occasional reports are usually too late to influence the legislation they concern. Neither in the Dail nor among the public at large, is there much interest or expertise in foreign affairs. Such debate as the EEC arouses is carried on within a small circle of *cognoscenti* embracing a handful of Ministers and spokesmen for groups such as the Irish Farmers Association and the Confederation of Irish Industry.

Because of her formal neutrality and former colonial status, Ireland brings to European diplomacy a fresh perspective on major issues. In particular, because she has none of the great power's preoccupations with grandeur, real or imaginary, she is able to confront problems with solutions that attract no suspicion of self-interest. By virtue of her economic vulnerability to external forces, Ireland is deeply committed to further integration; and tends to support policies which are *communautaire* rather than nationalistic in inspiration. Ireland's membership of the EEC demonstrates the logic and the limitations of integration. The logic lies in sharing tasks at the regional level so as to secure the maximum pay-off for each participant. The limits lie in domestic priorities: in Ireland the 'art of the possible' consists of steering a middle course between the pursuit of national prosperity and the claims of social justice.

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Notes of the month

THE TRIESTE SETTLEMENT

'A VICTORY for neither side, but a triumph for a policy of peace and co-operation' – thus the authoritative Yugoslav Communist party weekly, *Komunist*, greeted the simultaneous announcement in Belgrade and Rome on 1 October that the 30-year-old Trieste dispute had at long last been settled. In the Federal Assembly in Belgrade, Milos Minic, Deputy Premier and Foreign Minister, said that the settlement opened up 'new perspectives for comprehensive, close, and above all stable neighbourly co-operation between the two countries'. In Italy, too, the public reaction was extremely favourable. Most newspapers applauded the Prime Minister's statement in the Chamber of Deputies that, in making the settlement with Yugoslavia, Italy was 'courageously paying the last of her bills from the Second World War'. And on 4 October, 349 deputies in the Chamber voted the Moro Government full powers to conclude a treaty with Yugoslavia embodying the Trieste settlement. Only 51 deputies, members of the ultra right-wing MSI and a handful from other parties, voted against. And so, barely 18 months after Italy and Yugoslavia were still hurling accusations and counter-accusations at each other over Trieste and the whole issue was threatening to become a major international headache, it was settled smoothly and to everybody's apparent satisfaction. How was this possible?

The successful outcome of the Trieste dispute after so many years of wrangling and deadlock owed a lot to the happy timing of the whole operation and the nature of the diplomatic package negotiated by the two governments. Of course, the dispute had been solved *de facto* already in 1953 when the Trieste Free Territory, which had been set up by the United Nations under the 1947 peace treaty with Italy but never started to function owing to violent opposition in both Italy and Yugoslavia, was partitioned between the two countries. But it was a unilaterally imposed solution: the British and the Americans simply evacuated the territory's smaller part, called Zone A—212 sq. km of territory including the city of Trieste – which they had been occupying since May 1945, and handed its administration over to Italy. The territory's bigger part, the 483 sq. km Zone B, was left in the hands of Yugoslavia who had administered it since 1945, ever since the New Zealand troops of the British Eighth Army had ejected Tito's partisans from Trieste, which they had liberated on 1 May and held alone for a few days. By 1953 the Western allies, who had at first given their backing to Italy, were anxious that the

Yugoslavs and Italians should make it up over Trieste on the basis of each getting one zone and giving up its claims to the other. The result was the partition. But in Yugoslavia the feeling was still strong that not just Zone B, but Trieste too, should go to Yugoslavia, or should at the very least be denied to Italy.

Within a year, due mainly to the efforts of British diplomacy and in particular to Sir Anthony Eden, the then Foreign Secretary, Italy and Yugoslavia were persuaded to accept the partition under the so-called memorandum of understanding, which was signed in London on 5 October 1954. Soviet Russia, a party to the talks that led to the initialling of the memorandum, simply took note of it and the attached protocol on the protection of the Italian minority in the former Zone B and the Croat and Slovene minorities in what used to be Zone A. Yugoslavia and Italy went ahead and incorporated their respective zones into their national territory, but in international law the line separating them and running from Medja Vas in the north to Sveti Jernej Bay on the coast remained only a demarcation line, not a state frontier. Repeated Yugoslav attempts since 1955 to get the Italians to formalize the arrangement in a proper international treaty foundered on the reluctance of successive Italian governments to risk inflaming nationalistic public opinion. The Yugoslavs, for their part, did not push too hard for fear of embarrassing the Italian side. Relations between the two countries had become very good, particularly in the economic field—Italy was Yugoslavia's most important Western trading partner. Political relations were close, too, and in 1970 President Tito paid a state visit to Italy during which he also called on the Pope in the Vatican.

But the territorial settlements in central Europe between West Germany on the one side and Soviet Russia and Poland on the other reminded many people in Yugoslavia that a segment of her border with Italy was in fact the only remaining provisional frontier in Europe. In the federal republics of Slovenia and Croatia, which are closest to Italy and had suffered most from the Italian occupation in the Second World War the feeling was particularly strong that something needed to be done to settle the problem once and for all. But the Yugoslav authorities' attempts early in 1974 to force the issue by unilaterally upgrading the border produced no positive response and only stirred up strong nationalist reactions in Italy, whereupon the Yugoslavs sent a tank unit into the former Zone B. The continuing deadlock over Trieste provided a new opportunity for hardline elements in Yugoslavia, which had gained influence since President Tito's purges of the liberal elements in the Communist party in 1971 and 1972, to exploit the quarrel with Italy (and another one that had again erupted with Austria) by claiming that Yugoslavia was equally threatened from East and West and therefore needed strong authoritarian government. Russia, too, appeared to welcome the

signs of tension on Yugoslavia's western borders and the Soviet military paper *Red Star* wrote in April that the Soviet Union would be happy to guarantee Yugoslavia's territorial integrity from 'Western imperialists'.

All this shocked the Italian Government into a realization that a settlement with Yugoslavia, though perhaps risky in domestic political terms, would really be preferable to perhaps another future wrangle with a weaker, and therefore more intransigent, post-Tito regime, not to speak of a possible pro-Soviet one. The Yugoslavs had meanwhile become disenchanted with their policy of détente with Russia. A conspiracy, reportedly backed by anti-Tito émigrés in Russia and Soviet block diplomats in Yugoslavia, was uncovered by the Yugoslav police in the summer of 1974. Renewed Soviet pressure for a European (and later also a world) Communist conference struck the Yugoslav party leaders as yet another sign of a new hardening of the Soviet line. In anticipation of new problems with Russia in the near future, it was clearly doubly desirable from Yugoslavia's point of view to cover her back in the west.

Diplomatic contacts were resumed between Belgrade and Rome soon after the mini-crisis of 1974 with a view to negotiating a good diplomatic package. The conclusion of the Geneva conference on European security this summer provided an ideal moment for clinching the deal that both sides wanted. Once the Helsinki summit had affirmed the principle of the inviolability of European frontiers, little justification remained even for the most passionate nationalist in Italy (and perhaps also in Yugoslavia) to persist in his refusal to recognize the present borders as final. The timing, then, was ideal. But it was the nature of the bargain that had been painstakingly worked out which made it possible for the settlement to be presented as a genuine success for both sides.

The main feature of the Trieste settlement is Italy's official recognition of Yugoslavia's title to the former Zone B, now a thriving industrial and tourist area. Italy gets the same for Trieste but also a small territorial adjustment in her favour in the Gorica (Gorizia) area further north. She also gets a part of the Yugoslav territorial waters in the Gulf of Trieste so that tankers entering the Trieste harbour will no longer have to use Yugoslav territorial waters. The package further provides a comprehensive settlement of outstanding citizenship questions. Negotiations to settle property claims by both sides are due to begin by December. A new road-building programme will help to link the road systems of the two countries closer together. A standing joint commission will be set up to deal with the question of the management of water resources in the area and such problems as pollution of the Adriatic. As part of a forward programme of industrial co-operation, a natural gas pipeline will be built to link the ports of Rijeka in Yugoslavia and Monfalcone in Italy. A consortium is to be formed to develop the Trieste region as central Europe's natural outlet to the sea. Last but by no means least, an industrial free

zone is to be set up on both sides of the frontier in the Sezana (Sesana) area, some 10 sq. km on each side. The new zone will be a shot in the arm for Trieste's industries which have been cramped by the lack of space in the hinterland, and it should also help the adjoining Yugoslav province. But the Italians have warned the Yugoslavs that the agreement to set up the zone is subject to EEC approval which has already been sought.

This imaginative diplomatic settlement—really a model of its kind has been welcomed in the West as a contribution to the stability of strategically important area where Russia can be expected to fish in troubled waters. Nato had discreetly encouraged Italy for some time to make it up with Yugoslavia. Even the Vatican did its own bit towards a solution by retiring, last August, the Archbishop of Trieste, Mgr Santin, a fervent Italian nationalist, who also held the title of Bishop of Koper (Capodistria), now in Yugoslavia. His successor was given only the diocese of Trieste, and so the ecclesiastical frontier in the area now coincides with the political one. The Vatican, which is keen on preserving its 1966 agreement with Yugoslavia, obviously hopes that its tactful gesture may be reciprocated in the field of church-state relations in Yugoslavia.

The Soviet reaction was revealing: as the main item of news from Yugoslavia on 1 October, Tass reported that the Yugoslav Federal Assembly had adopted a resolution condemning mass reprisals in Spain and that the Federal Foreign Minister had also submitted a report 'on some topical questions of Yugoslavia's foreign policy'. Not a word about Trieste, the subject of Mr Minic's long speech, and world headlines. A case perhaps of *tertium non gaudens*? K. F. Cvic

AUSTRIA'S GENERAL ELECTION

As a result of the general election on 5 October, the Socialist Party of Austria (SPÖ) gained an absolute majority of the 183 seats in Parliament and over 50 per cent of the poll. At the last election in 1971, the SPÖ had an overall majority of three seats, enabling it for the first time in its history to form a government independent of coalition partners. The recent election has produced no changes in the distribution of seats between the parties and means that the Socialist Party will be able to continue for another four years as Austria's sole governing party.

	Votes (percentage)		*Seats*	
	1971	1975	1971	1975
SPÖ	50·04	50·41	93	93
ÖVP	43·11	42·95	80	80
FPÖ	5·45	5·41	10	10
KPÖ	1·36	1·19	—	—

For a party to have secured an absolute majority in two successive elections is an unprecedented event in a country used to coalitions. For almost 20 years, until 1966, Austria was governed by a coalition of the

two main parties—the SPÖ and the conservative People's Party (ÖVP). The basis for this coalition originated in the immediate post-war period. Members of both parties had suffered in Nazi concentration camps and were determined after the war to build a free and independent Austria. Collaboration between them was fostered by the presence of the Allied occupation forces which remained until 1955. The prolongation of the coalition after the signing of the State Treaty with the four Powers was, in part, a result of a fear in both parties of allowing the other sole control of the Government. Memories of the civil war in 1934 and of violent clashes between left and right in the 1920s further strengthened the desire for co-operation. Nevertheless, by the early 1960s the Coalition was on the defensive; it finally collapsed in 1966 when the People's Party secured a majority of seats in Parliament and formed a one-party government. Since then a coalition between the SPÖ and the ÖVP has not been revived. After the 1970 election, the SPÖ were able to form a minority government relying on the help of the small Freedom Party (FPÖ). New elections were held 18 months later, when the SPÖ won a mandate to rule alone. The astounding success of the Socialists in maintaining their absolute majority has come as a shock to the Conservatives who face four more years in opposition. It was generally thought that the Chancellor, Bruno Kreisky, would scrape a relative majority and form a coalition, probably with the FPÖ.

The Socialist Party's victory is a personal triumph for Kreisky who dominated the election campaign. The SPÖ went to the country on the slogans of 'Four more good years for Austria' and 'Kreisky, who else?' The picture presented to the electorate was of a modern, prosperous Austria enjoying respect in international affairs. The party pointed to its achievements in social policy—increases in pensions and family allowances; the introduction of free school books and free travel to school; free medical examinations for schoolchildren, women over 30, and men over 45, and a controversial reform of the abortion law. At the same time, the SPÖ has managed to cut income tax and increase wages by almost 40 per cent. No new policies emerged during the campaign. The party pledged itself to continue with its social policy and promised more humane working conditions, better rights for women, the development of Austria's cultural life, the strengthening of democracy, and the protection of nature. The emphasis was not so much on radical experiments as on security. The maintenance of full employment was of foremost importance in the SPÖ's election propaganda. The People's Party was portrayed by the Socialists as being insensitive to the problem of unemployment, an approach designed to appeal to voters who feared that the world's economic troubles could spread to Austria. The SPÖ concentrated on promoting the image of Kreisky as an experienced statesman, a father figure Austrians could trust in times of difficulty.

By contrast, it was an uphill struggle for the ÖVP. The forme chairman, Karl Schleinzler, was killed in a car crash in July of thi His successor was Dr Josef Taus, hitherto Director-General of A second largest banking institution. Although well-known in the w banking, Taus was a relative stranger to the political scene and electorate. This was a formidable handicap which proved diffi overcome in the remaining two months of the campaign. Unlike K Taus has had little direct contact with the parliamentary system , experience in foreign affairs is limited. Taus's main strength is in mic affairs and it was on this that the Conservatives launched thei on the Government. The ÖVP tried to capitalize on the large deficit and painted a gloomy picture of the future with increasing ployment, less welfare reforms, and recession. However, in comp to other industrial countries, Austria still seems to be in a fav position. The Schilling is one of the hardest currencies in the inflation is running at 8·9 per cent, the lowest after West Germa Switzerland; unemployment at the end of August was only 1·3 pe The SPÖ partly attribute their victory to the lugubrious tone Opposition's campaign which they maintain was unrealistic. Th was also damaged by the exposure of a corruption case. A People' candidate was forced to withdraw from the election after he had money to a journalist to improve the image of Taus. Another contri factor to the ÖVP's defeat was the poor performance of Taus Kreisky in a television debate. The election battle was one of th virulent fought for many years and there seemed to be little c ground between the SPÖ and the ÖVP.

The Communists (KPÖ), never a strong political force in A suffered minor losses and again failed to win a parliamentary se Freedom Party (FPÖ) slightly improved their position in the smal of Salzburg and Upper Austria, but overall they suffered loss failed to prevent the SPÖ from winning an absolute majority. Th marginally gained almost everywhere apart from Voralberg, the w most electoral district, where they had made the greatest head 1971. In Lower Austria, traditionally a stronghold of the People's the SPÖ's share of the vote came close to that of the ÖVP. Genera SPÖ did well in industrial areas where the Government's pledge guard jobs must have won support; its strongest gains came in B land, where the Government's school reforms were particularly p The extent of the SPÖ victory was a surprise, especially as there h a redistribution of seats since the last election—Vienna has los seats, thus reducing the chances of the Socialists who can norma on winning two-thirds of the vote in the capital.

The most striking point of the result is that nothing has change balance of power between the parties remains unaltered. Even th

out, 92 per cent, was the same as in 1971. Kreisky has another four years to carry through his policies. Dr Taus, for his part, is faced with a demoralized party. His chief preoccupation must be to instil his followers with a sense of purpose and self-confidence—a daunting task. But at 42 Taus is still young whereas a future problem for the SPÖ could be to find a natural heir to the 64-year-old Kreisky who at present entirely dominates the party.

MELANIE SULLY

Sunningdale and after: Britain, Ireland, and Ulster

KEITH KYLE

THE Sunningdale Conference in December 1973—attended by the British and Irish Governments and those parties from Northern Ireland which had agreed to serve in the first power-sharing executive—was a highpoint in the relationship between the two sovereign Governments in the British Isles. The Irish delegation, which consisted of eight Cabinet Ministers including the Taoiseach (Prime Minister)[1] and the Tanaiste (Deputy Prime Minister), the leaders respectively of the Fine Gael and the Irish Labour Party, the two partners in the ruling coalition in Dublin, had the feeling that they were 'working in parallel' with the British Government.

Both British and Irish delegations were aware of the contrast between this mood and that of 20 August 1969, when Dr Patrick Hillery, then the Irish Foreign Minister, told the UN Security Council: 'Our history has meant that British troops are a hindrance not a help to a lasting settlement of our differences. We have maintained that differences between Irishmen can only be settled by Irishmen without interference from our nearest neighbours'. For his part, the then British Prime Minister, Mr Heath, had cabled Dublin on 19 August 1971 in reply to a telegram from Mr Lynch criticizing British military operations and supporting passive resistance by the Catholic minority: 'I cannot accept that anyone outside the United Kingdom can participate in meetings designed to promote the political development of any part of the United Kingdom'.

[1] Mr Liam Cosgrave, son of the first Premier of the Irish Free State. His Ministers present included the Foreign Minister, Dr Garret Fitzgerald, son of his father's External Affairs Minister, and the Attorney-General, Mr Declan Costello, son of his father's Attorney-General, as well as Dr Conor Cruise O'Brien, Minister of Posts and Telegraphs, who had been Northern Ireland spokesman for the Irish Labour Party. The Tanaiste is Mr Brendan Corish.

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Since then much had happened. Stormont had been suspended, i Dublin a new Government had come in (though it must be said that t improvement in relations began in the last months of Mr Jack Lynch Government), and in Belfast an election of an Assembly had shatter the traditional Unionist Party into pieces and had produced the makin of a majority for a government coalition consisting of a 'Protestant' par (the Unionists), a 'Catholic' party (the SDLP), and a moderate par appealing to both sects (the Alliance). Weeks of negotiation had produ agreement on a programme and the distribution of ministerial seats 'executive-designate' was summoned to Sunningdale to meet sovereign Governments. There was one principal snag, a cloud no big than a preacher's head. There were two additional Protestant parties a distinctive section of a third, all in the Assembly, all rejecting the C stitution and hence not invited to Sunningdale. But they were lou pointing out, principally in the voice of Dr Ian Paisley, the leader of Democratic Unionist Party, that the British White Paper on the Constitu tion[3] did not say anything about the 'executive-designate' meeting Governments in conference after the election. But it had said that leaders of the elected representatives of Northern Ireland opinion should.

Main issues

The principal matters that were discussed at Sunningdale were formation of a Council of Ireland linking Northern Ireland and Republic, the recognition by the Republic of Northern Ireland's st and a resolution of the extremely contentious matter of fugitive offend members of the IRA, who commit violent crimes in the North and rest and recoup across the border. In the eyes of the British and of M Brian Faulkner, the Unionist leader who was due to become Cha Executive of Northern Ireland, the second and third were a price to paid by the Republic for the first.

Although the conference went well between the parties that we present, it was at the same time a failure. Given the climate of opinio in the North, the conditions of success were extremely rigorous. T Council of Ireland agreement needed to be so worded as to sugges minimal commitment for a first stage while it was essential that the solu tions to the other two issues should have dramatic and therefore immedi ate impact. That was the lesson that should have been fresh in everyone minds from the Civil Rights movement in Northern Ireland in 1968 which had sparked the present troubles. The Catholics were in 1969 give everything for which they had asked. Yet there were so many vexatious legalistic delays in implementing the reforms that the situation had soo

[3] Northern Ireland Constitutional Proposals. White Paper, March 1973, p para. 112.

gone far beyond them. It should have been anticipated that intricate legal matters were likely to be raised by the Sunningdale agenda and far more work should have been done in advance preparing for the politicians' final decisions. Unionist opinion was already offended by the British Government's rigidity on two points where it could have afforded to be generous — a piece of harmless symbolism in the retention of the Governor and a more inconvenient, though more logical, demand for full representation at Westminster (in place of the downgraded quota of 12 seats given in 1920). Now Sunningdale compounded the error.

Much had already been written about reviving the Council of Ireland. Like Proportional Representation, which it was found acceptable to 're-introduce', the Council gained a kind of legitimacy through being included in the Government of Ireland Act 1920, the title deed of partition. Then it had never come into being partly because Dublin had failed to work the mechanism. But although it was intended that it should deal at the outset only with technical matters like railways, fisheries, and animal diseases for the whole island, provision had been made for it to be transformed by mutual agreement into an all-Ireland parliament.* There was therefore an agreeable whiff of ambiguity about the whole concept— historical precedent, dull-sounding functions, but a suggestion of brilliant prospects for united Irelanders in the future, with vetoes all round to reassure the Unionists. The latter wanted an all-Ireland institution for one purpose only—to establish a common law enforcement area. They also asked that it be strictly intergovernmental, consisting of Ministers of the two Governments (the 1920 Council would have brought together representatives of the two Parliaments). The SDLP naturally wanted as effective a body as possible to compensate them for taking office in the North and giving up work for the early reunification of Ireland.

Dr Garret FitzGerald, the Irish Foreign Minister, had brought an elaborate, an over-elaborate, draft. At an early stage Mr Faulkner objected to the Council having executive powers, whereupon it was pointed out that this had already been agreed to in principle between the parties forming the Northern Ireland executive. After that, the Unionists did not put up much of a fight. Dr FitzGerald's draft was somewhat trimmed down (in part by the SDLP, who thought the cake a little over-iced) but eventually it was carried through. Later the Irish Government and the SDLP began to confess ruefully that they had had too easy a victory. But, after all, they had fought their own corner and had expected others to do likewise.

* See Section 2: 'With a view to the eventual establishment of a Parliament for the whole of Ireland . . . there shall be constituted . . . a Council to be called the Council of Ireland.' Also, Donal Barrington, 'The Council of Ireland in the Constitutional Context', in *Administration*, Winter 1972, Vol. 20, No. 4. And Nicholas Mansergh, 'The Origins of Northern Ireland', Carr-Saunders Memorial Lecture, 1972.

The Council of Ireland

The Council of Ireland, which was agreed at Sunningdale, was to consist of a Council of Ministers of seven members each from the Irish Government and the Executive of Northern Ireland, with a rule of unanimity and a Consultative Assembly of 30 members each from the Dail and the Northern Ireland Assembly. In addition, there would be a Secretariat which would 'supervise the carrying out of the executive function' of the Council and would be headed by a Secretary-General. That official's first job on appointment would be to draw up plans for the permanent headquarters at a place chosen by the Council of Ministers. At first, all this would be financed by grants from the Governments, but further studies were to be launched immediately to provide the Council with its 'own resources.'

The powers that were to require this weighty infrastructure were divided into a harmonizing role—the example was given of 'the important work relating to the impact of EEC membership'—and executive functions. No fewer than eight fields were named for study to identify the subjects over which the Council would have executive powers. These included 'operational aspects of the Common Agricultural Policy.' At the beginning of 1973 Britain and Ireland both joined the EEC, and a great deal of this was made in all the documents of the time concerning Anglo-Irish relations. The British Government was able to say repeatedly that a new situation had arisen which had changed the context of over-familiar problems and called for fresh remedies. But there was a subtle shift of emphasis. In the earlier references, for instance in the White Paper of March 1973, the British Government spoke of the need to consider 'how the UK authorities can best be associated' with the Council when its agenda concerns international obligations, 'including those arising from membership of the EEC'. It was also concerned how British financial subsidies might be affected. All of this, of course, arose out of the constitutional anomaly of the Council of Ireland linking on terms of equality a sovereign state and a subordinate jurisdiction of another sovereign state. By December 1973 the British had made up their mind about this question: 'While Britain continues to pay subsidies to Northern Ireland, such payments would not involve Britain participating in the Council' the Sunningdale communiqué said. The references to harmonization of Irish and Northern Irish attitudes regarding the impact of the EEC, particularly in agriculture, positively invited the interpretation that the Ulster farmer was to be urged (through the machinery of the Council of Ireland) to turn to Dublin for the representation of his interests in Brussels.[4]

[4] The two Governments also gave the Council of Ireland special functions in respect of human rights and policing. The powers conveyed in regard to policing were minimal—the Council was to be consulted about the appointment of the two police authorities—but were regarded by the Northern Catholics

Persisting fears

The Loyalist reaction to the work of Sunningdale on the Council of Ireland was best expressed by a new member of the House of Commons who explained that he would naturally find himself sitting on the Labour benches if it were not for the Irish issue. Mr John McClusker, the MP for Armagh, was replying on 4 July 1974 to the reproach that he and his fellow candidates had frightened people in their election campaigns with the threat that Sunningdale would put them into a united Ireland to-morrow:

> 'I told them it was more subtle than that', he said, 'and that it was more likely to put their children into a united Ireland in 25 or 30 years time. I said that the Sunningdale agreement was designed not to kick us out of the United Kingdom but to change our attitudes, to swing our gaze slowly from the centre of power we have always recognized as London towards Dublin and by slow process to change the attitude of the Loyalist people so that one day they might believe the myth of Irish unity which so bedevils many people in Northern Ireland. I did not threaten the electorate with a united Ireland. I said that the Sunningdale agreement was an insidious way of bringing our people eventually to agreeing that it was a solution.'[6]

Those who were certain to complain about what had been granted to the Republic and the Northern Catholics were bound to look with a hard eye at what they had got in return. First and foremost were the declarations as to status which, it was said, would be, as it were, wrapped up in cotton wool and deposited at the United Nations. There were in fact two unilateral declarations printed in parallel. The Irish recognized that 'there could be no change in the status of Northern Ireland until a majority of the people of Northern Ireland desired a change in that status'. The British reaffirmed 'their policy to support the wishes of the people of Northern Ireland,' asserted that '*the present status of Northern Ireland is that it is part of the United Kingdom*', and stated that, if in the future the majority of the people of the province wanted to become part of a united Ireland, the British Government would support that wish.

The typographical arrangement rather emphasized the fact that Mr Cosgrave had not endorsed the British Government's statement about the present status. He was not able to do this because of Articles 2 and 3

politically important. On human rights, the Council was to recommend ways in which the principles of the European Convention on Human Rights could be expressed in domestic legislation in the two territories.

[6] Northern Protestants had also not forgotten the speech made by Mr Harold Wilson on 25 November 1971 when he was in Opposition. It was part of his 15-point plan that 'a constitution of a united Ireland [should] come into effect 15 years from the date agreement is reached, provided that violence, as a political weapon, comes to an end.' There was a bizarre detail; every time a shot was fired reunification was to be put off by a month.

of the Irish Constitution. According to Article 2, 'The national territory consists of the whole island of Ireland, its islands and the territorial seas', and Article 3 provides tortuously that, 'pending the re-integration of the national territory and without prejudice to the right of the Parliament and Government established by this Constitution to exercise jurisdiction over the whole of that territory', the laws shall in fact apply only to the area of the twenty-six counties. It has been argued that since the Irish Government had got such a good agreement on the Council of Ireland (whether or not it had been wise to go so far), the best thing it could have done was to press through the Oireachtas[6] a constitutional amendment at once repealing these two sections which give such offence to Unionist opinion. In the general euphoria at the achievements of Sunningdale, it is said, the Government would have been able to carry it in a referendum. At any rate it missed the opportunity and will have to wait for another favourable timing. Having tiptoed so carefully, as he thought, round the constitutional obstacles, Mr Cosgrave walked into a legal ambush. He won the case and lost the cause.

His nemesis was Mr Kevin Boland, who had held various ministerial offices in the Fianna Fail governments before resigning from government and party over the sacking of two Ministers suspected of gun-running to become the leader of a new party. He brought an action against the Government before the High Court asking for a declaration that the Sunningdale agreement was contrary to the Irish Constitution, and for an injunction restraining the Government from acting on any part of the agreement or any other arrangement that would have the effect of prejudicing the right of the Parliament and Government of Ireland to exercise jurisdiction over the whole national territory. In his statement of claim Mr Boland set out a comprehensive series of propositions, each of which Mr Costello, the Attorney-General, thought it necessary to rebut. Thus, Mr Boland alleged, and Mr Costello denied, that the Government had acknowledged that Northern Ireland could not be reintegrated into the national territory unless a majority of the people of Northern Ireland indicated a wish to become part of a united Ireland. There were, in all, seven highly emotive assertions and formal denials, and Mr Costello's words were promptly reprinted in full-page advertisements in the Northern Irish press. It would seem from the findings of the Supreme Court (who took the matter on appeal) that this was a case of overkill. The denials were purely formal as the case was won on different grounds—that the Irish Government's declarations at Sunningdale were no more than a statement of policy, not subject to the courts. The use of the term 'status of Northern Ireland' had been merely a reference to the *de facto* position. From the all-important political perspective the court's findings, which appeared to downgrade

[6] The Irish Parliament, consisting of the Dail Eireann plus the Seanad (which is partly elected by special constituencies and partly nominated).

the declaration, were a misfortune; but the Attorney-General's formal defence was a disaster.

The problem of extradition

The other part of the price demanded for power-sharing and the Council of Ireland by Britain and the Unionists was the bringing to justice of IRA terrorists who had crossed the border. The numbers involved were not large but the judicial record was discouraging. In the four years till mid-September 1975, 49 extradition warrants had been received in the Republic from the Northern Ireland police. Of these, 12 had appealed successfully to the High Court, 12 more were appealing, 10 had been arrested in Northern Ireland, the whereabouts of four were unknown and, in general, no single person had been extradited.

The case of Roisin McLaughlin before the President of the High Court in December 1974 was typical. She was accused with other women of inviting four unarmed sergeants in plain clothes into a flat for a party. After a while she is said to have left, whereupon four armed men entered and killed three sergeants, severely wounding the fourth. The accused did not give evidence, but her husband said that the RUC believed her to be a member of IRA intelligence. The judge could find no ordinary motive, so he concluded that the only possible explanation was that she was a member of some organization which was seeking to overthrow the Government of Northern Ireland by force. This was a political offence and extradition was therefore not granted.

Dialectically, the British were placed in an embarrassing position in attempting to persuade the Irish to find a way of handing these 'political' fugitives over: Britain has a record of being in the forefront of those favouring immunity for political cases under international law and a broad interpretation of the term 'political'. The Sunningdale Conference agreed that 'persons committing crimes of violence, however motivated, in any part of Ireland should be brought to trial irrespective of the part of Ireland in which they are located'. Since the preliminary work had not been done, it was necessary to set up a high-level Law Enforcement Commission, four a side, with two of the four being senior judges, to investigate the three options that had been mooted. They did not produce their report until the end of April, which was perhaps fast by the standard of commissions but was fatally slow at that particular juncture in Ireland.

When it reported in April, it dismissed with scant consideration the option described in the Sunningdale communiqué as 'the creation of a common law enforcement area in which an all-Ireland court would have jurisdiction' (an elegant formulation of which the first half is borrowed from the Ulster Unionists' policy paper and the second has obvious attractions for Catholics) as incompatible with that 'extreme urgency'

with which the Commission was told to work. Nevertheless, they said, 'if time had been a less important factor the all-Ireland court method would call for a more careful and detailed examination'. The main antici-pated cause of delay was the need to amend the Irish Constitution w... a subsequent referendum. As every politician knows, the key question ... be asked about a referendum is what line the Opposition will take. Subse-quently the Fianna Fail endorsed the all-Ireland court. A few prelimin... soundings might have been able to establish that this would have be... their attitude.

Having unitedly refused to take seriously one of the three cho... offered, the lawyers were then unable to preserve their unity ove... next: the amendment of Ireland's extradition legislation so as to re... the protection, on political grounds, for terrorists' offences. Here ... obstacle was Article 29.3 of the Constitution which reads: 'Ireland ac... the generally recognized principles of international law as its rul... conduct in its relations with other states.' There was a vigorous ... debate between the British judges and barristers on the one side and ... Irish on the other as to whether, given that rather vague provision, leg-islative action on these lines was safe.[7] Although some Irish legal autho-rities think that the Irish members had the worst of it,[8] the fact that ... include two Irish members of the Supreme Court was the single mos... conclusive argument. Irish law differs fundamentally from British in t... the Supreme Court can overrule a statute.

The two bold and clearcut proposals having been rejected, the com-mission was driven by a process of elimination to plump for the th... option - the use of existing courts of the two countries of extra-territo... jurisdiction. This would mean, for example, that a special (i.e. non-ju... court of the Republic could try a person charged of an offence of viole... in Northern Ireland. Witnesses could be called down from the Nor... but if they were unwilling, evidence could be taken there on commiss... by a Northern Ireland judge in the presence of the judges of the spe... court and, at his request, of the accused. So long as his presence w... needed in the North for this purpose, the accused would be transfe... to the custody of the RUC. His counsel could accompany him and cro... examine. Naturally the same would apply the other way round. Th... improvised system was advised in the interests of the 'extreme urgen...

[7] The argument moved down fascinating byways. In case of doubt, the I... language version of the Constitution is the dominant test. It was pointed out ... the word for 'rule of conduct' in the Irish text really means 'guide' which is ... vaguer. The only trouble is that the same word, *treoir*, is used for 'directive', w... is certainly binding, in the Irish translation of the Treaty of Rome.

[8] See, for example, C. R. Symmons, 'The Law Enforcement Commission ... port and Article 29 of the Irish Constitution', in *The Irish Jurist*, 1973; and ... speech by Senator Mary Robinson, then Reid Professor of Constitutional L... Dublin University, in the Seanad Eireann, Parliamentary Debates, Vol. 80, No... col. 653.

with which the politicians had called for action from the lawyers. The task was returned to the politicians at the end of April 1974. On 24 April 1975 implementing legislation began its course in the Seanad and completed it on 31 July. It goes to the Dail during the autumn session. It will be opposed by the Fianna Fail and it is thought that with luck it may get through with a vote or two to spare by the end of the year. By then it will, of course, have little potential impact, though its defeat would inevitably confirm all the Norths' most uncharitable convictions about the Republic. Among the many arguments against such reliance by the Irish judicial system on the *bona fides* of the judiciary and security forces of Northern Ireland will certainly be used (as it already has been at length in the Seanad) the awkward fact that a series of applications under the European Convention on Human Rights have been dragging on at Strasbourg since the different climate of border relations in 1971. In these applications, the Irish Government asks for British administration of detention and internment in Northern Ireland to be condemned in no uncertain terms by the European Commission of Human Rights. Despite what appears to the British Government to be the flagrant inconsistency of keeping up the prosecutor's role at a time when such an intimate judicial partnership has been agreed, the Irish are determined not to withdraw the applications but to press them to the end.

The breakdown of Sunningdale

Nevertheless, it is fair to remark that by the time the Law Enforcement Commission had reported, a new situation prevailed in Northern Ireland. When Mr Heath called a General Election in February 1974, the executive had scarcely had two months in office. The occasion was treated by the three Loyalist groups opposed to the constitution as a golden opportunity for a 'referendum' on Sunningdale. The Irish Attorney-General's defence in the Boland case was the leading exhibit for the prosecution. The outcome was that, of the 12 contested seats, one went to a Catholic (Mr Fitt), and eleven to the 'Loyalists'. From then on the way was down, despite such desperate attempts to redeem the situation as Mr Cosgrave's reformulation of the pledge to the North in much less guarded terms as soon as the constitutional case was over, and the last-minute throwing overboard of the more elaborate parts of the Council of Ireland, to be revived only if the Assembly agreed following the next election.

On 14 May the Sunningdale agreement was endorsed by the Northern Ireland Assembly by 44 votes to 28. This was taken as a signal by a new organization of Protestant trade unionists called the Ulster Workers' Council to begin a political strike, which closed down the power stations and had a devastating effect throughout the Province. On 28 May the power-sharing executive collapsed when the Permanent Secretaries warned the Chief Executive that if the strike went on the sewage would

come up the streets. The keystone of the great experiment that had been endorsed and underpinned at Sunningdale was gone.

The Ulster Workers Council's strike administered two types of severe shock to the Government and people of the Republic. In the first place, they realized what Dr Conor Cruise O'Brien had been telling them for a long time: that the will and determination of the Protestant working class to resist anything which they interpreted as preparing them to join a United Ireland were extremely strong. There had been many facile remarks about the Protestants being 'less interested in the Crown than the half-crown', and the need to call Unionist bluff. Irish public opinion now had an opportunity to reflect on the problems of absorbing a million Protestants if this strike was their characteristic attitude. People in the Republic can be very excited and articulate about the North. Since the strike most of them seem to act as though they wish the North would go away.

But the worst shock for the Irish Government was the revelation of what they interpreted as British irresolution in the face of a fundamental challenge to Britain's authority, particularly in the vital first days. From then on they felt themselves out of touch with British motives, consulted in a formal way but not taken into confidence. They began to suspect that Britain was planning to get out of Ireland. Far from creating rejoicing in Dublin, this prospect is looked upon with the utmost dread. Any inclination of, for example, members of the SDLP to see if they can reach some accommodation with the Loyalists on the basis of Ulster severing its links with Britain is discouraged from Dublin. They are worried at reports of some senior members of the SDLP advocating a referendum, choice being put to the people in the North between power-sharing or exclusion from the United Kingdom; for them it is too much of a gamble. The Dublin Government could well become the last wholehearted supporter of the British Army in the North.

What some Irish Ministers fear is that, if the British cobbled up a constitution of sorts and then pulled out, the Republic would find responsibilities cast upon it greater than it can discharge. Even Mr O Bradaigh, the President of the provisional Sinn Fein and political spokesman of the provisional IRA, said recently in a television interview that he does not wish to see the British leave without plenty of warning; otherwise, he said, he feared a Congo situation in Ireland. The truth is that even today the British Army is the only protector the Northern Catholics, especially the so-called 'hostages' in Belfast, have from the 'doomsday' situation, the total breakdown of all law followed by a Protestant invasion of the Catholic areas. Mr Donegan, the Minister of Defence, took the occasion of an interview on 9 September 1975 to say downright that he could not foresee any situation in which the Irish Army would receive orders to cross the borders,* and he specifically included the 'doomsday'

* In the same interview he said that it was not possible to have joint British-Irish

situation in that statement. Ministers are uncomfortably aware that, except for a small force which has worked with the United Nations in Cyprus, the Irish Army is ill-equipped. They regard Irish public opinion as very volatile. It appears to be indifferent today but it could be dangerously tense tomorrow. Ministers could be faced with impossible decisions and democracy in the Republic placed in real danger through popular frustration with its apparent impotence.

New trends

In the North, this year has seen the IRA ceasefire, the election of a Constitutional convention in which the Loyalists had an absolute majority, the failure of the parties in the North to come to an understanding unaided by the British, and the steadily mounting casualties from sectarian killings by both sides. So far, 1975 has been the year to let Ulstermen try on their own. The Dublin Government could not think of anything to say or do that would not be liable to make matters worse. There is a curious convergence of views held by Ulster Loyalists and by people in the Republic: both view with distaste the existence of the IRA incident centres and the regular contacts kept up with illegal IRA, diaphanously disguised as the legal Sinn Fein, by British civil servants. Both consider that, whatever Britain says, the IRA regard themselves as conducting negotiations with the British, thereby undermining the status of elected representatives in both parts of Ireland. They feel that the IRA must have been given the impression that the British are shortly pulling out. Both North and South are inclined to piece together elements of Britain's economic moves in the North to show that Britain is reducing her commitments and getting ready to go.

In present circumstances there is an altogether new attitude in the North towards the Irish Republic's record on the security front. It has become fashionable for a Loyalist politician, when attacking Mr Merlyn Rees's security policy, to praise by contrast the work of the Gardai (police) and Irish Army. The same view is taken in the UDA, the largest of the Protestant paramilitary forces. While Dr Paisley was embarrassing the British Government and the military authorities by revealing that there is, to put it mildly, hesitation about arresting Seamus Twomey, the IRA chief in Brussels, the Irish Gardai were putting David O'Connell behind bars. It is true that there has over the past three years been a steady tightening of the Republic's security measures. The Gardai and the Army are both stronger on the border, the eccentricities of Irish juries have been sidestepped by special courts, and the onus of proof that he is not a member of a banned organization reverts to the accused if a Gardai Superintendent says that he has reason to believe that he is. About 350 people have so far been convicted by these more stringent measures.

army patrols on the border. ▪

This new reputation in the North of the Dublin Government's security policies comes at a most important moment. It is significant, for instance, that one who shares it is the leader of the largest Protestant para-military organization, Mr Andy Tyrie of the UDA. Mr Tyrie and his political spokesman, Mr Glen Barr, have aligned the UDA and the other organizations joined with it in the Ulster Army Council behind the controversial political initiatives of Mr William Craig. Mr Craig, though remaining opposed to 'compulsory power-sharing' written into the Constitution, was prepared to negotiate for a voluntary coalition with the SDLP for the duration of one Parliament. This, he holds, remains within the principles of the British type of parliamentary system, while recognizing realistically that for the immediate future normal political parties cannot be expected.

Mr Craig's new approach, which is widely but erroneously[10] supposed to be a complete departure from his previous views, has set the political world of the North alight. Backed by the Central Council of the Vanguard party in a decisive vote, he has still been deserted by 9 of his 12 supporters in the Constitutional Convention. In the *UULC* (the 'Loyalist' caucus) the bell, book, and candle have been effectively administered to Mr Craig by Dr Ian Paisley. But Dr Paisley has left behind among Unionist convention members a residue of resentment of his rough, triumphalist methods.

In these circumstances the *Irish Times* commented on an attempt by the Fianna Fail foreign-policy spokesman, Mr Michael O'Kennedy, to question bipartisanship on the North by calling on the British Government to make a declaration of intent to withdraw the Army with the acid remark that: 'Politicians in the Republic would do well to keep their profiles not low but invisible.' As far as the Irish Government is concerned, it welcomes any indication that the British are there to stay. Of the two great prizes of the Sunningdale settlement it still hopes to rescue power-sharing in some form, but as for the Council of Ireland it is little heard of in Dublin. It was an idea in advance of its day.

[10] Mr Craig's earlier speeches contained passages which foreshadowed his present views. One, made on 12 February 1973, at the First Anniversary Rally of the Ulster Vanguard and printed in pamphlet form, argues that: 'The Unionist Party proposals for committees are good in making Parliament more effective, but to represent them as power-sharing is misleading. Power can only be effectively shared within a majority framework, and minority groups must have an alliance or some other relationship with majority elements.' On the BBC's *The Question of Ulster* programme the same year, he referred to checks and restraints that would require more than a majority vote and added: 'This sort of restraint would encourage coalitions or political pacts of one sort or another.'

Whose emergency — India's or Indira's?

W. H. MORRIS-JONES

Mrs Gandhi's assumption of dictatorial powers in response to mounting opposition against her accorded with her penchant for bold and ruthless action. The question is whether she is too experienced a politician not to perceive the dangers of self-imposed isolation for herself as well as for India.

Many puzzling actions occur in politics. Some of the puzzles would be solved if we had more information, in particular if we could know of the calculations made by the principal actors or, more generally, of the considerations in their minds. Since these may in a given instance — or perhaps must in the nature of the case — be inaccessible, we have to manage with less. In these situations it is useful to remember a special sense of the phrase, 'politics is the art of the possible', namely, that the politician does, quite literally, what he can. That is, what he does is to be understood at least as much in terms of his resources as in terms of his goals. (In this he is not peculiarly distinguished from the rest of us; only the consequences are more important.) Above all, his resources include his skills and dispositions; these are the possessions he brings with him to the various decision-points. Fortunately for us, these are also discernible in some measure from his past actions.

Shortly after dawn on 26 June the President of India, in exercise of the powers conferred by Article 352(1) of the Constitution, put his signature to a Proclamation of a State of Emergency declaring that the security of India was threatened by internal disturbances. The recommendation to the President had been approved at a Cabinet meeting even earlier the same morning. The timing secured a shock effect for what was already a surprise move; in the situation of some tension before 26 June, speculation had been ample but had apparently not envisaged this particular outcome. Those few hours stand out but can hardly be understood without reference to the days and weeks which preceded and those which have followed. How did the Emergency come about and what has it entailed?

It may be as well to recall first the immediate measures taken following the Proclamation. The ink of the signature could scarcely have dried before the first arrests of sleeping politicians took place. A list had

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evidently been prepared: 676 was the number stated to have been detained within the first few hours. On the next day the government spokesman gave the total as 900, describing only one-third of them as political detainees, the rest as thugs. From then on spokesmen have been less communicative on this subject, leaving the way clear for widely differing estimates; opposition sources made it 5,000 by early July, ... times as many a month later; Amnesty International gave the 18 Ja... figure as 6,229. The regional incidence was uneven: no arrests w... carried out in Gujarat, Tamilnad, and Goa under non-Congress gove... ments, nor in Kerala under a pro-Congress Communist Chief Minist... the bulk were in Northern India, with as many as half of the early ... figure from Madhya Pradesh, not notable for anti-government agitati... but certainly a strong area for the right-wing Jan Sangh and its viru... communalist RSS element.

Almost as prompt as the detentions was the imposition of the str... censorship on newspapers and on the press messages of foreign corr... pondents. Here again Tamilnad, at least initially, behaved and allowed to behave as a world apart; in that state there were anti-Emer... ency rallies and a strongly critical resolution from the governing pa... the DMK. In Delhi papers failed to appear at all for two days; it was ... that selective power cuts had prevented production—and presum... provided time for the censors to learn their unfamiliar job and editors ... come to terms with distasteful conditions of work. Even so, difficul... persisted for a little while, as papers tried blank spaces and inse... advertisements which playfully carried half-concealed messages of p... test and as foreign newsmen experimented with evasion techniques. B... kinds of resistance were halted by fresh rules and 'guidelines'; in the f... cases where these were rejected or disobeyed, detention or expuls... followed.

Ordinances and regulations quickly filled the vacant columns. On... the first amended the already existing Maintenance of Internal Secur... Act to make unnecessary the statement of grounds for detention, w... another suspended the enforcement of relevant Fundamental Rig... provisions of the Constitution. Such illiberal steps were joined by oth... with more popular appeal: traders were required to display lists of pri... and stocks if they wished to avoid action being taken against them un... the (also already existing) Essential Commodities Act and Defe... Regulations. Smugglers were to have as little protection as the hos... politicians; no grounds for their detention had to be given and their c... no longer required reference to advisory boards. A little later, on 4 Ju... orders under Defence Regulations banned twenty-six organizatio... including the RSS and Jamaat-e- Islami at the communalist extrem... set of Maoist and Naxalite groups, and a host of small, eccentric, a... violent religio-political societies.

Mrs Gandhi's apologia

When silence fell on India's normal untidy mixture of political voices, one voice was left in very active operation, ringing out loud and clear. In a succession of broadcasts, speeches, and interviews with selected foreign and local news media, Indira Gandhi has offered a spirited justification of her decision. (That the decision was wholly hers is implied in all her own statements and she has not sought to distribute the responsibility. Equally, not even those who have endorsed her actions as being necessary or even good have made the slightest claim to be contributors in their design. It is widely believed that the Cabinet was informed only when the finger was on the button and that even some of the closest advisers were ignorant or unconvinced as to the move.) The core theme has been that the Emergency was caused by what was simultaneously a threat to order, to democracy, and to economic and social progress. Mrs Gandhi acknowledged that the threat was directed at her while at the same time identifying her own concerns with the interests of the country. Thus, in the first broadcast she spoke at once of a 'deep and widespread conspiracy which has been brewing ever since I began to introduce certain progressive measures of benefit to the common man'. This had produced 'violent incidents', 'aroused communal passions', and had included 'inciting the armed forces to mutiny'; the opposition campaign, led by Jaya Prakash Narayan and Morarji Desai, had announced plans which, if not blocked, would have 'resulted in a grave threat to public order and damage to the economy beyond repair'. The methods of these opponents, she insisted, were the negation of democracy, for they tried to prevent duly elected governments from functioning and they even forced elected members to resign in order to try to bring about the dissolution of assemblies. 'All manner of accusations have been hurled at me. The Indian people have known me from my childhood. All my life has been in the service of our people. This is not a personal matter. It is not important whether I remain Prime Minister or not. However, the institution of Prime Minister is important.' In a talk to senior officials, she likened the hostile forces who were destroying democracy from the extremes of right and left to those of Nazism which 'infiltrated national life, creating misunderstanding and confusion', often by making scapegoats of minorities. As for the censorship, while she had always and still believed in freedom of the press, it had been exercised without responsibility and restraint and 'had come to mean the freedom to attack Indira Gandhi'; distortion, malice, and provocation had become so prevalent that only this measure could 'restore calmness and stability and a climate of trust'.

Of the subsidiary themes the most important emerged strongly in a broadcast of 1 July: the Emergency was also a great positive opportunity. Now that the 'fumes of hatred' had cleared and the campaign which threatened national paralysis and economic chaos had been crushed,

Government and people could get ahead with the urgent economic tasks. What was wanted from the people was hard work, the strictest discipline and increased production; to a meeting of trade unionists she said they must now desist from any agitation, strikes or go-slows. For its part, the Government had a whole set of new programmes to be launched and old ones to be pressed on with. The 'twenty points', subsequently much reiterated, contained a great deal for the rural poor: land ceilings legislation to be implemented and surplus holdings redistributed; bonded labour to be abolished; an attack on rural indebtedness through new credit agencies and a moratorium on the recovery of debts from small peasants and the landless; minimum wages for agricultural labour; the conferring of ownership of house-sites for the landless. Urban inequalities were also to be attacked: ceilings on urban land holdings; more adequate tax valuation of urban property; sterner action against the crime of tax evasion; no more thwarting by legal technicalities of the campaign against smuggling. There was something for students too, in the form of controlled prices for hostels and text books.

Background to Emergency

How is all this to be assessed? How far was there really a threat of the kind Mrs Gandhi described—and which we may for the moment assume she genuinely perceived? The matter is by no means as simple as either Mrs Gandhi or her opponents would have us believe. We have to look not only at the character and course of the opposition movement but also at election results and the general tone of the political climate including the moods in the Congress (R) party. All this moreover was intertwined throughout with the progress of the court case to determine whether Mrs Gandhi when last elected to Parliament had been guilty of corrupt practices.

There would be general agreement that the popularity of Mrs Gandhi and her Government had fallen substantially from the twin peaks of 1971 and 1972. Both the expectations roused by her own populist election campaigning and the national euphoria following the dashing role of India as midwife in the violent birth of Bangladesh had been high. It would have been hard after that to come down to earth, down to the stubborn facts of poverty and injustice, even if world oil prices and other trends had not moved sharply against India. As it was, cool observers could be forgiven for thinking that things might have become politically much more unsettled and unstable than they were.

Nevertheless, J. P. Narayan had come out of the political abstinence of *sarvodaya* and in his home state of Bihar had provided a focal point for discontent. The state government evidently enjoyed restricted support and was vulnerable to attacks on its corruption and lack of effective drive. Initially the appeal was directed especially towards students, but later it

became more generalized. The corrupt government could not be allowed to last its term, the state assembly must be dissolved, the present members must be forced by the pressure of opinion to get out. J.P.'s success in Bihar made him a sought-after leader for opposition elements in other states and after some hesitations he extended his efforts away from home base. Big rallies were held in Delhi but on the whole his impact was not maintained over the new areas and some of his sorties were clear failures. At about the same time the character of his call and his movement underwent a change: swallowing his non-party pride he reached out to the opposition parties. What he gained in organizational muscle he soon lost in the purity and clarity of his appeal. For many of the discontented elements which had to be roused if an effective wave of anti-government sentiment was to be produced, it all began to look too much like the discredited 'grand alliance' of 1971, a hotch-potch of Marxists, communalists, and conservatives tenuously bound together by a hatred of Mrs Gandhi and by J.P.'s slightly worn but surviving charisma. It had achieved something important and perhaps permanent in Bihar, where several sections had been deeply touched and where new kinds of community organizations were springing up to end various social injustices by non-violent mass protests. In addition, in Calcutta he could draw great crowds by virtue of Marxist mobilization and the alienation from tough Congress rule of several despairing liberals with nowhere to turn. Nevertheless, from the heights attained during the 1974–5 winter, the movement gradually but unmistakably was losing its way.

Into this not wholly unfamiliar situation of disliked Congress rule and the absence of any visibly viable alternative, the Allahabad High Court on 12 June threw its little explosive device. Since 1971 there had been before the court an election petition by Raj Narain, the stormy Socialist leader; hearings had twice failed to reach completion on account of retirements of the judges concerned, but now Mr Sinha had seen the job through to a judgment. The petition had alleged that during the conduct of Mrs Gandhi's election campaign in her constituency in the state of Uttar Pradesh, six offences had been committed against those election laws which define corrupt practices. The court found her not guilty of the four more substantial charges (relating to use of government transport, distribution of gifts, use of religious symbols and excess expenditure), but guilty on two. The court found, first, that Mrs Gandhi had been given the services of some government personnel for purposes going beyond legitimate security precautions –namely, for the erection of rostrums at meetings; second, that a government officer on special duty in the Prime Minister's Secretariat, who had admittedly sent in his resignation before engaging in election work on her behalf, had to be regarded as still in service because his resignation had not been formally accepted until some days later. The election was therefore invalid and the court

announced the stipulated punishment of a six-year ban on seeking election. Mrs Gandhi's counsel asked for the operation of the order to be stayed in view of the importance of the PM's office, adding that if a vacuum were to be avoided a new leader would have to be elected before Mrs Gandhi ceased to be Prime Minister. The request was granted but the very stating of the grounds furnished added excitement for the public imagination.

Mrs Gandhi's consideration of her next steps was interrupted by further shock. On 11 June the polls closed in the state of Gujarat which was electing a new Assembly. Its predecessor had been dissolved following governmental instability resulting from a student-led opposition campaign and factionalism in the Congress (R). The results as they came through showed the party faring badly; the final totals gave no group clear majority but the not-so-solid Janata Front—which had been un... to prevent contests between its own wide spectrum of component par... —emerged as the largest single group and probably in a position ... secure a majority in the new House. How gravely Mrs Gandhi vie... this development is difficult to judge. She had already lived, ... without full comfort, with state governments run by other parties, ... might of course start a slide towards the kind of troublesome times ... endured at the bginning of her reign. On the other hand, she co... reasonably console herself with the knowledge that several factors ... work in Gujarat were peculiar to that state and that by-elections a ... earlier in Punjab had shown Congress (R) able to hold its own.

It would clearly be foolish to pretend that Mrs Gandhi did not have ... her hands a situation that was critical in both personal and governme... terms. It is a different matter to accept her characterization of the mo... ment as an externally aided, Nazi-like conspiracy stirring commu... passions and working through sedition against democracy. It also b... means follows that we have to agree with her view that there was ... one way out. The period between 12 and 26 June was evidently cr... The opposition, not surprisingly, called for her immediate resignatio... the only decent course that would show proper respect for the cou... J.P. described her continuation in office as 'shameful and cynical' and ... was pointed out that other Congress leaders had stepped down from ... in similar circumstances of pending election appeals. Whether M... Gandhi seriously considered resignation is not sure. It was reported ... the party's Parliamentary Board, 'having had the feeling that she ma... resign', wrote promptly to her asking that she stay in office; the Pu... Chief Minister stated that she had wished to resign and was persuaded ... the party from doing so. One version current at the time had it that ... drew back from resignation when she saw that the appointment of ... an interim successor would set up internal squabbles; another view ... that the party would not accept her proposals for a man safely loyal to ...

(Ray, the Bengal Chief Minister?) and she would not accept the nearest to a 'next-in-line' (Jagjivan Ram?) for fear that the 'interim' might become more permanent.

In any event, an anti-resignation course was set. The Congress Parliamentary Party met to affirm unanimously—though there were a handful of 'Young Turk' absentees—that only Congress could see India through and that Mrs Gandhi's continued leadership as Prime Minister was 'indispensable for the nation'. Mrs Gandhi evidently did nothing to discourage the linking of personal and government-party-nation positions; Chavan said that 'what happens to her happens to India and what happens to India happens to her', while the party's President, Barooah, sloganized the sentiment in 'India-Indira, Indira-India'. Moreover, the Prime Minister seemed very ready to assume a belligerent posture. Even if the crowds of youths who began to assemble in rowdy support on the road near her residence had turned up spontaneously, they were rewarded and encouraged by her frequent appearances to address them in most vigorous terms. The battle was being taken to the streets with the approval of the Prime Minister herself. During this time the effigy of Mr Justice Sinha was burnt and a poster appeared asking if he was a CIA agent. A massive Congress rally in the capital on 20 June produced a predictable response: J.P. got just 15,000 at an impromptu rally on 25 June but promised a real mass reply later in the month.

Meanwhile the legal process continued its complex course. The Supreme Court announced that it would begin hearings on the appeal on 14 July but that it would make known sooner its response to Mrs Gandhi's application for a (further) stay against the Allahabad judgment. The latter came on 24 June and took what was for Mrs Gandhi the disappointing form of a conditional award; making a nice distinction, the court pronounced that pending the appeal she could in her capacity as Member of Parliament neither speak nor vote nor draw her salary, but that she could continue to be Prime Minister and be paid as such and could exercise her ministerial right to address the House. This at once added fuel to the opposition flames; a one-week 'nationwide struggle' was to be launched on 29 June and would include a march to the Prime Minister's residence; Mrs Gandhi, said J.P., was trying to establish a dictatorship. In this atmosphere, the cool explanatory note issued by the Indian High Commission in London seemed almost irrelevant. It pointed out that, when the Supreme Court came to its substantive business, it might either uphold or quash the ban imposed by the High Court, or it could also modify the ban on the ground that the irregularities were so minimal and technical in character; it would also be open to the Prime Minister to ask the Election Commissioner to remove or reduce the period of disqualification. This was no doubt so, but it had become politically irrelevant in the course of the fateful two weeks following 12 June. Mrs Gandhi was in

difficulties, it is true; it is also true that by choosing not to resign, b[illegible] welding together her personal dilemma with the fate of the Government [illegible] above all by playing the tune of the street boys, she did all she could t[illegible] produce the collision.

The personality factor

It is here that the point about skills and dispositions has to enter. M[illegible] Gandhi did what she was 'equipped' and 'disposed' to do. Anot[illegible] Prime Minister—a Shastri, even a Nehru—would almost certainly h[illegible] gone about the job differently. With the help in particular of Zar[illegible] Masani's elegant and illuminating biography of Indira Gandhi,[1] pu[illegible] lished earlier this year and written without hostility and long before [illegible] events of June, we can perceive her distinctive style and even disce[illegible] development over her active political career and indeed through her [illegible] Nothing emerges more clearly than her penchant for the bold, dram[illegible] step which cuts the Gordian knot and puts an end to a period of agoniz[illegible] difficulty and painful drift. Time and again—the Bangladesh interv[illegible] tion, the Congress split of 1969, the Punjabi Suba decision of 1966, [illegible] to some extent the Congress action in Kerala in 1959 when she [illegible] President of the party—she surprised many with the sudden and ruthl[illegible] character of her remedies; situations in which she had in withdra[illegible] silence endured pressures (and at times keenly felt humiliating attack[illegible] were brought to an end not by a compromise but by a sharp switch, [illegible] reversal, of policy. This tendency accords with another noted featu[illegible] Mrs Gandhi has had more political experience as a single operator [illegible] as a member of a team, a result in part of her special position as Nehr[illegible] child but also of her disposition and upbringing. It has been remark[illegible] in recent years that she is not an institution-builder but one who fi[illegible] easier the personalized methods of a courtly circle. But it seems that [illegible] was always less at ease with equals than with those who were either cl[illegible] above or below her. Not everything needs to be traced back to the [illegible] childhood when by all accounts, against the setting of a home backgrou[illegible] continuously disturbed by politics and illness, she emerged as pampe[illegible] but lonely, proud, self-contained, reserved and withdrawn. But Mas[illegible] presents a most plausible continuity: 'ambition and diffidence, asse[illegible] ness and reticence, had been inseparably interwoven in her charac[illegible] ever since the days when a painfully shy and introverted schoolgirl [illegible] dreamt of leading her people like Joan of Arc'. This suggests someth[illegible] of the equipment of personality and experience which Mrs Gan[illegible] brought with her to the facing of the June crisis. Masani again brings [illegible] relevant consideration for the present when he speaks (though in [illegible] context of 1966) of 'the two most remarkable features of Indira Gandh[illegible]

[1] Zareer Masani, *Indira Gandhi: a Biography* (London: Hamish Hamil[illegible] 1975).

personality—her determination to rise to a challenge and her shrewd instinct for survival'.

If these reflections could be based solely on the story up to 26 June, they have certainly received every endorsement from the measures taken in the following months. Of these one whole set can be dismissed as not strictly relevant to an assessment of the justification of the Emergency: there are all those steps taken to correct abuses which could and should have been achieved in other ways. Smugglers (already mentioned) and hoarders have been caught or have modified their activities, but there would have been other ways of closing legal loop-holes if the will had previously been strong. An atmosphere of terror has no doubt had some effect on these social criminals, but the Emergency can take little credit for the price fall which was already starting. The short session of Parliament passed an amendment to taxation laws which facilitates the fight against evasion and the unearthing of black money, and soon there were raids on luxury houses in Bombay; this would be impressive were it not that it could have been done years ago by the same Mrs Gandhi who blithely excused a leading offender in her own Cabinet. The Congress Party has made its own touching contribution towards closing the 'credibility gap' from which authority has been suffering: the party's President has asked that prominent Congressmen should file declarations of land holdings and the Andhra Chief Minister promptly stated that he and his colleagues would surrender their surplus land. In all these ways—and in others such as the street clean-ups and the government clerks reaching work on time (shades of Ayub, Mussolini, et al!) —Mrs Gandhi is no doubt appealing over the bowed heads of the articulate, liberal-minded few to the many who look at tangible results and may see them as the very goals of the Emergency, not merely its sales talk.

The parliamentary session had, however, more serious business to perform. Apart from giving in docile fashion its constitutionally required endorsement of the Emergency, it passed three remarkable measures. Two of these were new amendments to the Constitution; the 39th Amendment empowered Parliament to enact legislation to set up a forum to hear disputes relating to the elections of President, Vice-President, Prime Minister, and Speaker which should not be decided by courts of law, the amendment adding that proceedings pending under existing laws in respect of such elections should be null and void; the 40th Amendment (introduced and passed in one House but later withdrawn) provided that the immunity from civil and criminal proceedings already enjoyed by the President of the Republic and Governors of states be extended to the Prime Minister. As if this were not sufficient— to achieve safety for Mrs Gandhi but also to expose the concerns behind her 26 June decision —the third measure amended, with retrospective effect, the precise portions of the election laws under which Mrs Gandhi had been

found guilty. The Supreme Court was given the awkward task of pro-nouncing on the validity of these measures—on 19 September it found a way of postponing the issue—but moral and political judgment upon them is less difficult. Mrs Gandhi has used the Emergency to silence her critics, to put herself beyond the law, and to sustain her popularity by a few pleasing steps which were not in the main dependent on special powers.

Future prospects

For how long is this mode of Emergency rule a viable one in a coun- like India? What is the engine that will provide the drive, through wh mechanisms will such a regime operate? In neither her party nor t army is there as yet a ready-made instrument for the job. As for ' bureaucracy, it is not enough for the clerks to be at their desks on ti if their immediate superiors are enjoying the roles of licensed bulli - an the top ranks are paralysed by uncertainty and distrust. Perhaps no m significant items of news escaped lately from the censor's grasp than t report that a conference of Chief Secretaries of States was told by t Union Home Minister that torture and third-degree methods should n be used in police investigations.

If in some respects Mrs Gandhi has dug herself in deeper behind t fortifications of unchecked power, and if this has bought her a respite security from public accusation and hostility, she is surely too wise t imagine that this provides a long-term solution for herself or for a count which needs to be continuously mobilized behind a consensus. When s felt cornered by enemies it took a kind of boldness to break out from t self-imposed siege. It is difficult to imagine that Mrs Gandhi can fail be aware of the ways in which her position becomes, despite all appe ances, less rather than more secure. Even if there had not been the gr August warning from neighbouring Bangladesh, she would be acute aware of a growing loneliness as some of the informal advisers discre edge away, as others harbour thoughts behind the thoughts they utt as only the more supine sycophants remain.

Mrs Gandhi's statements during the Emergency have been varied tone. Some seem to stress the irreversibility of the process she initiat as when she told Parliament that there could be 'no return to the p Emergency days of total licence and political permissiveness'. Oth however, suggest recognition of a sliding slope down which she does wish to travel and admission that there has to be some way back from abyss. To the *Saturday Review* she said that the Emergency would not 'unduly prolonged', that India will not become totalitarian and has need for authoritarian government, only for more discipline and for so adjustments such as the reform of the judicial system to keep in step w social change. To *Blitz* she explained that such desired changes did

require a Constituent Assembly to frame a new Constitution; the place of Parliament was not to be altered—'we cannot but be a democracy'. In other interviews given to *Socialist India* and *Bild am Sonntag* she insisted that Congress had no intention of trying to impose one-party rule and that she was committed to the holding of elections, though not when 'the political situation and the emotional condition of the opposition are disturbed'.

These views might be written off as mere soothing lullabies for anxious liberals but this would be not simply ungenerous towards Mrs Gandhi's political ideals but also an underestimation of the soundness of her instincts for survival. She could have faced and won, albeit with a reduced majority, an election in darkest June; once let off the legal hook, she may still find elections the best escape route. If the Emergency is indeed not 'unduly prolonged', her popular appeal, temporarily even enhanced among some sections, could see her through. Some people would probably be kept in prison and the elections might well be the least free that India (outside Bengal in 1971 and Kashmir) has seen since independence, but it could be the start of a thaw. That is what is needed if India's distinctive achievement of development through the diversity of open democracy is not to be betrayed. The only things that are sure to grow steadily in the sterile soil of the Emergency are the poisonous weeds of suspicion, bitterness, and hatred.

Mrs Gandhi's namesake, the Mahatma, is perhaps a remote figure for many, but Indira herself may well be haunted by the reply he gave when the British claimed to have given India peace: 'yes, the peace of the grave' and, one might add, an unquiet one at that. She could also be suitably haunted by a saying of her own in 1969: 'Dictatorship is not necessary to fight poverty. Nor does dictatorship give people strength.'

Corsica 1975: politics and violence

P. SAVIGEAR

The excesses of the Corsican separatists have underlined weaknesses in the relationship between Paris and the regions, as well as raising the vexed question of the interaction between violence and reform.

THIS has been a decisive year for Corsica, a distinct step in the history of relations between the island and the Government in Paris. The cynic may note only the riots in Bastia and at Ajaccio, the deaths, the attacks on '*pieds noirs*' (repatriated French from the former North African colonies), and their property, the bomb explosions, and an expectant air of trouble to ruffle the thousands of holiday-makers from the 'continent' the Corsicans' synonym for France, curiously reminiscent of the term employed by other off-shore islands. He might conclude that this year had seen another manifestation of the violent Corsican habit of banditry and vendetta directed principally at those who had exposed the indigenous idleness, and dismiss it as something peculiarly Corsican, confirming the cliché that the islanders are found largely among the French criminals and the police. This would be to ignore the fundamental question of the 'one and indivisible French Republic' which this demonstration of regional fervour has fired at the Government in Paris. The possiblity of new institutions and a revised political arrangement between Paris and the provinces finds a sympathetic echo in other regions. The dominance of the *préfet* as the representative of the central Government is under attack, and the political question which has been forcibly put by the Corsicans this summer has wider implications.

The year began with a series of apparently quite substantial concessions, mostly made within the last twelve months as part of a revised regional policy by the French Government. From the outside this looked like a victory for regionalism, heartening for the Bretons, the Occitans, the Basques, and the regional demands from Franche-Comté and Alsace. But how real is this victory, what has been gained, and what, in particular, is the response of the Corsicans? The latter have never been free to determine their own development, apart from the brief years of independence from 1755 to 1769 under their leader Pascal Paoli. This is not a new conflict, nor even only a replay of the constant theme of the French administration of Corsica since the victory over Paoli. Recorded Corsican

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history is an account of the islanders' quarrel with the administration of their nominal sovereigns, whether the Genoese, the Pisans, or the Saracen pirates, quarrels which have fostered their separatism and inhibited their close association with the invaders.[1] In view of this the list of recent concessions from Paris appears impressive, commencing with the separation of the island from the larger region of Provence-Côte d'Azur-Corse (in 1973) and its constitution as a separate region of France. Other changes have followed, notably the division into two departments originally planned for January 1976 and now brought forward. This year a high-level administrative inquiry has also been initiated, headed by M. Libert Bou, and a Charter for Corsica has been drawn up offering considerable funds (5 milliards of *anciens francs*) and containing important administrative proposals for the careful development of the region. An end has been promised to '*désertification*' of the mountains, the neglect of hill farming, and to abuses and imperfections in the wine trade. Concessions have been made on the teaching of Corsican in schools, and there has followed the promise to reopen the University at Corte—closed when the French took the island in 1769—with the appointment of six Directors.

Pressures for change

How have these changes been brought about and why should the French Government have agreed to such a departure in its policy towards Corsica? Some Corsicans will say that they are the result of the violence which has affected the region recently (many educated Corsicans expressed this view to the writer). The extent of the violence has indeed been marked, as has the flow of new measures. The climax was reached in the latter part of August with the siege of Aleria; some fifty members of the autonomist organization ARC (*Action pour la renaissance de la Corse*) faced over 1,000 police, gendarmes, and CRS (*Compagnie républicaine de sécurité*). There followed fighting in the streets of Bastia, notably after the banning of the ARC, and at Ajaccio. Yet 'concessions' continued after these days of violence: the announcement of the first Corsican to be a prefect since 1870 (M. Jean Riolacci), the recognition, expressed by the then Prefect, M. Gilly, that 'a better distribution of land is indeed indispensable', together with the announcement of the machinery to tackle agricultural questions,[2] and the intention to investigate

[1] The issue of Corsican racial quality is a relevant political matter since the contemporary arguments make much of '*la nation corse*', '*la corsisation*', and similar ideas. Naturally the indigenous, mountain people have mixed with their many 'invaders', but the close family ties, the clan structure, and the strong sense of Corsican pride in recent centuries has emphasized the genuine separateness. Moreover, the appalling relations with Italy, from the days of Pisan and above all Genoese hegemony to the Italian occupation during the Second World War, have prevented the 'italianization' of the island.

[2] *Le Monde*, 26 August 1975.

accusations of frauds in the wine trade. Since the shootings and demonstrations of August and of 14 September, and the widely supported strike on the island on 1 September, further changes have been promised by the Paris Government, notably in a published letter from President Giscard d'Estaing to the Prime Minister, M. Chirac, of 12 September. These include improved communications, reform in all aspects of Corsican viticulture, and rectification of electoral abuses. '*Je vous demande de tenir comte de la sensibilité particulière de l'âme corse*' was the request of the President.[3] Others would argue that the change in attitude on the part of the Government has been part of a more general response to the strength of feeling in the regions, and that the violence is only indirectly related to this. On the one hand there have been assurances about reform, and on the other a proclaimed refusal to submit to violence, especially from the Minister of the Interior, M. Poniatowski: any changes in the regional institutions of France were to be seen as part of an overall process of change, starting from the regional plans of 1968/1969.

In Corsica a steady increase in the demands for special treatment has paralleled a growing resentment, grounded on the not always carefully explained view that the French have neglected Corsica and have treated it as a 'colony'. The result of this intense feeling has not been readily visible in political statistics. In the March elections of 1973, it was the big national parties which won local support, two seats going to the 'Left' and one to the UDR. However, since then smaller groups have increased their number, membership, activity, and the precision of their arguments. None can now be without a statement of policy on the key issue, the relationship between Corsica and France. The local press is more active than at any time since the days of Italian 'revanchism' in the 1930s, and Corsicans accuse the two major dailies, *Nice-Matin* and *Le Provençal* of being only minimally concerned with political questions in Corsica.

The local issues which have fed this discontent are various, but the one which particularly encouraged the organization of pressure for an improved deal for the island was that of the dumping of 'red mud' (industrial waste matter) by the Italian Montedison Company in 1973. Other factors are the abuses of the electoral system and the large vote by correspondence, the lack of sympathy which the French Government has accorded the widely dispersed Corsican population (many Corsicans live in Paris, Marseilles, and other mainland towns, as well as in the cities of North Africa), and the seemingly disproportionate amount of economic benefit going to '*pieds noirs*', especially through Government agencies for the development of resources such as SOMIVAC, whose offices have been consistent targets for Corsican bombers. Many Corsicans complain of the

[3] *Le Monde*, 14/15 September 1975. He added: '*Il convient maintenant d'apporter des solutions complètes à des problèmes dont se préoccupent, à juste titre, nos compatriotes corses*'.

failure to restore viticulture and to re-establish rural and mountain agriculture; they bemoan the decline of cultivation, as well as the relative decline of the truly Corsican population of the island—150,000 locally born Corsicans live there as against 100,000 others. They are anxious to have some control over the development of property and tourism on the island (an English property company has been denounced recently for a development near Ajaccio). They also resent the humiliation of the garrisoning of the Foreign Legion at Bonifacio, Calvi, and Corte after the independence of France's North African colonies, which seems to stress the 'colonial' status of Corsica.

Rival groups

Some groups have openly accepted violence and even demanded full independence for Corsica. These have been largely outlawed since 1974 as is the case with the FPCL (*Front paysan corse de libération*) and the *Ghjustizia Paolina*', both appealing to the Corsicans, especially the young, to join a National Liberation Front but differing in origin and, until banned, in their tactics. Both remain secret and very small in number. The latter argues that '*la dimension politique de la nation corse ne se réalisera qu'au sein d'un état souverain,*' and currently demands the fulfilment of a number of immediate objectives—including '*Départ de l'imposteur impérialiste L. Bou, départ de tous les colons agriculteurs, départ de tous les fonctionnaires français.*'[4] The FPCL claims to be a genuinely National Liberation Movement fighting '*l'impérialisme de l'état français.*'[5] Other groups are more moderate though divided over the political principles and institutions which will characterize their revitalized Corsica, and they are divided within themselves over the nature of their action and the use of violence. The PPCA (*Partitu di u populu corsu per l'autonomia*, the result of a merger in October 1974 of two groups, the PCP or *Parti corse pour le progrès* and the PPC or *Partitu di u populu corsu*), is expressly more Socialist than the yet more circumspect ARC, the largest, most important, and now banned organization. The results of the ban seem likely to be felt for some time because of the large number of supporters of this organization: a recent ARC conference at Corte, as in previous years, attracted many thousands. An anti-repression committee has been formed demanding the lifting of the ban and the release of those arrested for the disturbances at Aleria and Bastia, particularly Dr Edmond Simeoni, former spokesman of the ARC and leader of the Aleria raid. The ARC has been seeking institutional changes to effect autonomy—not independence—with more political power given to Corsican institutions and less to the Prefect and other officials of the central Government. The ARC and those who now function as the local leaders

[4] 'Le Manifeste de la Pentecôte', *Kyrn*, quoted in *Le Monde*, 23 May 1975.
[5] Letter to *Kyrn*, 17 July 1975.

like Dr Max Simeoni, brother of the arrested man, want a regional assembly, elected by universal suffrage, overseeing domestic matters, economic policy and development, tourism, property, pollution, and the employment and education of Corsicans; a local executive would consult a representative of the central Government,[6] thus ending the regime of the prefect; foreign policy (and according to some, education) would remain with Paris. Finally, M. Bou's work was denounced as having been aimed merely at breaking the Corsican people's '*élan émancipateur*'. Shortly before being associated with the attack on the property of M. Depeille, a former French settler in Algeria, at Aleria, Edmond Simeoni accused M. Bou of blocking the legal aspirations of 200,000 Corsicans by declaring publicly that they could not modify the Constitution, a modification necessary to the achievement of internal autonomy.[7] The dialogue, if it can be thus described, between the French Government and Corsicans is complicated by both the violence and the arguments between the various Corsican groupings. All are denounced by the FPCL, the *Ghjustizia Paolina*, and the Communist Party for selling out to the bourgeois and for swallowing the sops held out by the Government in Paris.

The question remains: how deep is the antagonism towards the French Government? At Corte, during the Summer University and at the ARC conferences, it appeared overwhelming. Yet in a village near Bastia, a middle-aged Corsican, employed in Bastia, was sceptical. They are only a minority, he claimed, but the real issue seemed to have escaped him. Few wish independence, but many are concerned with the institutional changes implied by autonomism and seek to end two centuries of ineffective measures and 'concessions' from Paris. It is among the young, and particularly those seeking professional qualifications and training and forced to leave Corsica to do so, that the support is strongest and among whom the words of Max Simeoni have such an appeal. But the events in Bastia at the end of August and at Ajaccio on 14 September showed that the most prominent Corsican leaders can no longer be sure of controlling the actions of the young. Dr Max Simeoni is himself worried about the drift of many young Corsicans towards more extreme groups and solutions: '*La Corse connait un climat tendu, et toutes les aventures y sont possibles. L'extrémisme s'y donne libre cours et croit son action justifiée*'.[8] The pressure was now on the French Government to produce some initiatives and make good its promises, and speed was essential because '*les jeunes se cristallisent dans une attitude de rébellion*' [illegible]. He also said that it made little difference under the present system whether the prefect was Corsican or not.[9] The young are concerned

[6] Cf. interview reported in *L'Exprès*, 8–14 September 1975.
[7] Interview, *Kyrn*, August/September 1975, p. 125.
[8] *Le Monde*, 16 September, 1975. [9] *ibid.*

about the whole range of issues, political and economic, the pollution of their rivers and beaches, the abuses of tourism (a particular target was the *Club Meditérranée*), and with the failure of the French Government to provide higher education and professional training leading to jobs in Corsica. They are eagerly looking forward to the launching of their University whose first Directors wish to create more than just another provincial university by the careful structuring of courses to the needs of the region. There is a determination to speak, teach, and write in Corsican, as evidenced not least by the changing of all the road signs by clandestine painters. There are signs that such attitudes are widely shared, even by Corsicans who will nevertheless stop at violence. They might disapprove of the killing of gendarmes but they joined the strike on 1 September, and many participated in the more peaceful parts of the Ajaccio demonstrations. The volume of this demand ensures that the French Government will have to continue to compromise with the more moderate demands and to fulfil its pledges despite the outbreak of violence.

There are, however, elements of disquiet. Many Corsicans accuse their fellow countrymen of apathy and many are sceptical about the future. The older but concerned Corsicans have seen too many abortive projects to develop the infrastructure and the economy. Such disappointments are part of the island's history. Furthermore, the persistence and intensification of violence place acute pressures on Paris. Too much violence could force a different policy on the French Government, as the banning of the ARC showed. The ARC itself was not unequivocal about the use of violence even before the recent outbreaks. In early August it was expounding its dialectic of revolution in an edition of *Arritti* (8 August), and urging the pursuit of the liberation of the Corsican people—'*sans excès, si on nous le permet, mais celà ne depend pas que de l'ARC*'. The ARC's remedy for the continued pollution of the sea around Corsica was no longer to seek a legal way but '*la lutte populaire*'. The indications of some shift towards more violence were there before the end of August, when the ARC delared itself ready to use any means if forced to do so by 'the enemy's manœuvres'. This fervour for direct action is supplemented by a nationalism which runs deep in those fighting for a changed status for Corsica. On the one hand, there is an obsession with ethnic purity, the truly Corsican, and a spurning of the efforts of others who are also concerned to see Corsica move towards greater prosperity. The extent of this feeling has led the national left-wing parties to suspect some Corsican activists of racism. They can point to the attitude towards the '*pieds noirs*' and the taking of four North Africans as hostages at Aleria in August.[10] This has opened a gulf between the activists and the bulk of the popula-

[10] Cf. Jacques Ribs, 'Pas de racisme contre les repatriés', *Le Monde*, 28 August 1975.

tion of the island, so that success for the 'autonomists' depends on winning *Corsican* support as much as the attentions of Paris. On the other hand, there is a touching loyalty to indigenous traditions, those of the struggle against Genoese oppression and devotion to the memory of Pascal Paoli who gained a brief independence for the island in the mid-eighteenth century. The University is to be built not at Bastia or Ajaccio, the largest towns of the island, but Corte, a town of 7,000 inhabitants where Paoli's short-lived university was situated. Even extremist groups like the FPCL look to this tradition.[11] Not Napoleon, a symbol of French centralism, but Paoli, Boswell's hero who sought a real liberty and autonomy for the Corsicans from both foreigners and from themselves, is the vital element of mythology in the present struggle, which is a national struggle.

The protest in Corsica is not a 'leftist' rebellion, but a direct challenge to French cultural unity. The Corsican legend of the struggle for independence is now translated into a demand to be recognized as a distinct cultural unit. One of the cries heard recently at Ajaccio was '*Les combattants de Ponte-Novu ne sont pas tous morts*'.[12] The Corsicans have demanded from the Government a fundamental rethinking of its attitude to provincial particularism in order to ensure respect both for the identity of the various peoples of France and the integrity of the Republic as a whole. It is this which is at stake in Corsica and which concerns the other regions of France, and not simply a readjustment of the departmental power structure and the introduction of more widely based and responsible local institutions. It is true that the immediate demands seem to represent a condemnation of the present administrative machinery, and a demonstration that the existing people in positions of authority, both deputies and officials in the regional institutions,[13] are not adequately representative of the island's feelings. This is, however, a manifestation of the far deeper issue of '*le pouvoir corse*': to ignore it is to fiddle about with minor changes. The Corsicans, and the regions of France, are watching keenly how Paris will respond to this major challenge to the concept of centralism.

[11] See letter to *Kyrn*, 17 July 1975.

[12] The Ponte-Novu [Corsican spelling] was the battle of 1769 at which the French forces defeated those of Pascal Paoli. The present clashes have unleashed a particularly intense series of slogans, the most tasteless and sharp of which was that pasted up in Bastia after the deaths of two gendarmes: 'Corsica 2 France

[13] Significantly, the deputies played a minor part in the recent troubles and the attempts to resolve them.

The spread of the ombudsman system in Europe

J. E. S. FAWCETT

At a time when the problems of effective control of public administration and even of legislation itself, and the possible adoption of a Bill of Rights, are being debated in the United Kingdom, it may be useful to review briefly the ombudsman systems in Europe, and so to identify some of the choices that have to be made in the adoption of a more developed system of controls than we have at present.

The word *ombud* expresses the function of being a representative or spokesman, and so in practice an *ombudsman* represents and speaks for the interest of the parliament or the people in public administration. Essentially, the ombudsman system is a form of control of public administration by hearing and investigating complaints, or undertaking inquiries.[1] The function may be exercised from a single office, designated as Ombudsman, Parliamentary Commissioner, Commissioner of Complaints, Procurator, Public Advocate, and so on, and referred to here for simplicity as the ombudsman, or by a statutory body of persons, which we may here call a Commission. Further the ombudsman or Commission may be national, regional, or local, and the functions of either may be more or less specialized.

An early form of ombudsman was the Chancellor of Justice (Justitiekansler) established in Sweden in 1713 and still maintained. In 1809 the new Constitution set up the office of civil ombudsman (Justitieombudsman), a separate office for supervision of the armed forces being created in 1915 (Militieombudsman); and Finland, separated from Sweden in 1809 to become an autonomous Grand Duchy in the Russian Empire, retained the office of Chancellor of Justice or Procurator, a parliamentary ombudsman being also appointed in the new Constitution of 1919. Similar national ombudsman offices were established in Denmark (1954); Norway, New Zealand (1962); Great Britain (1967); and France (1973). In Sweden the two offices (Justitieombudsman and Militieombudsman) were combined in March 1968 in a single institution, composed of three ombudsmen.

[1] For useful surveys of then existing systems see D. C. Rowat (Ed.), *The Ombudsman: Citizen's Defender* (London: Allen & Unwin, 1965).

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In the Commonwealth, Mauritius has an ombudsman, Tanzania has a Permanent Commission of Enquiry, and Zambia appointed an Investigator General with three supporting Commissioners under the Constitution of 1973; and regional or local systems are represented by the Parliamentary Commissioner and the Commissioner for Complaints (appointed in Northern Ireland in 1969), and by the ombudsman in certain Canadian Provinces and Australian states. The first civil ombudsman in the Federal Republic of Germany was established for the Land Rheinland—Pfalz in May 1974, and in Italy for Tuscany in 1975. An interesting development is the appointment of an ombudsman for a single city area, as in Zurich (1971), Detroit (1974), and Atlanta (1974).

Broadly, the function of the ombudsman is to check maladministration. He will be concerned not only with observance of the law, but also with the exercise of discretion in public administration. He must investigate situations or practices complained of, establish the facts, and, if he finds that there is or has been maladministration, make recommendations or take any other action allowed him for its correction. What in general is excluded from his reach is governmental policy, as made and declared by Ministers, and the character and quality of the law itself. Here there is a marked difference between the ombudsman and international bodies such as the ILO or the European Commission of Human Rights, which investigate and endeavour to settle or make proposals on complaints of breaches of certain internationally agreed rules and standards. So if we take the European Convention on Human Rights, which the Commission has to apply, we find that, outside the fields of detention, deportation and trial, complaints will seldom raise directly questions of maladministration, but that the compatibility of government policy, and even of legislation itself, with the Convention may in many complaints be the central issue.

The ombudsman is sometimes seen as an alternative to closer control of public administration by the courts. But this is not necessarily always the case, for in some countries the systems exist side by side: for example, there is in France antecedent to the *médiateur* the administrative court system, culminating in the Conseil d'Etat (Section du Contentieux) but somewhat decentralized since 1953; and Sweden has had an Administrative Court (Regeringsratten) since 1909, but the structure was reshaped in 1971, there being now two Taxation Appeal Courts, a Social Insurance Court, and administrative courts for the provinces.

It may be useful to see some of the differences between the various ombudsman systems in Europe[2] in the areas of administration the ombudsman covers, in the procedures followed, and the powers of

[2] In Finland, Sweden, Norway, Denmark, Great Britain, Northern Ireland, France. The more limited systems in the Federal Republic of Germany and the Soviet Union will be mentioned in context.

ferred on the ombudsman of recommendation, court action, and initiation of inquiries. In this way the choices that may be made between different styles of ombudsman can be shown.

Areas of administration

All the national systems provide for supervision of the central government departments: for example, in Denmark[3] the area of competence of the ombudsman comprises 'Ministers, civil servants and all other persons acting in the service of the state', except in the judicature; and in Great Britain the Parliamentary Commissioner for Administration deals with situations where a member of the public has 'sustained injustice in consequence of maladministration in connexion with action taken in the exercise of administrative functions of a government department. . .' In all these systems local government is largely covered too, the competence of the Parliamentary Commissioner in Great Britain having been extended to local government and development from the beginning of April 1974. In Northern Ireland, a Commissioner for Complaints against local authorities and a number of other public bodies, including education boards, health and social security boards, housing authorities, and the electricity service, was established in 1969 in addition to the Parliamentary Commissioner in Northern Ireland, who has a similar competence to that in Great Britain.

The extent to which other bodies or services are brought within the reach of an ombudsman varies. For instance, the national health service has been brought within the system in the United Kingdom. But of the national systems in Europe considered here, only those of Finland and Sweden extend to the judiciary and the courts, though the Soviet Procurator General, with a number of regional offices, has a similar task of supervision of the administration of justice.[4] In Sweden, one of the three ombudsmen supervises the courts of justice and the public prosecutors, and also the civil police and the armed forces, to ensure observance of the law and to check neglect of duty. In the Federal Republic of Germany, a Parliamentary Commissioner for the Armed Forces (Wehrbeauftragter des Deutschen Bundestages) was established in 1957. He has the role of investigator, if necessary on his own initiative, of particular incidents and situations, to ensure that the rights of the members of the armed forces are protected, and that serving officers observe and maintain right principles of leadership and training (innere Führung).

Complaint procedures

In the functioning of ombudsman systems there is a critical difference between those countries, such as Finland, Sweden, Norway, and Den-

[3] Act No. 203 (11 June 1954).
[4] His offices are recorded as having had as many as 200,000 complaints.

mark, where the ombudsmen may use their own initiative to investigate incidents or situations that come to their knowledge through the press or some indirect way, and those, such as France and the United Kingdom where the ombudsman may act only upon complaints formally presented to him. The power of initiative may be used for regular inspection, for example, of prisons by the ombudsman in Finland, and of courts, administrative tribunals, and prisons in Sweden.

All the national systems admit individual complaints to the ombudsman. But here again, there is a distinction between those which requi a complaint to be submitted through a Member of Parliament (Franc Great Britain, and Northern Ireland) and the remainder where dir complaints are possible. However, it is to be noticed that the Commi sioner of Complaints in Northern Ireland, as distinct from the Parli mentary Commissioner, can entertain direct applications; as ca Health Service Commissioner offices in Great Britain. The requirem at least in the United Kingdom, of reference of complaints by a Me of Parliament is perhaps derived from the historic appeals to Parlia for redress of grievances, which had ceased in practice by the middl the nineteenth century; but whether it facilitates or obstructs compl is uncertain perhaps it does neither.

In all systems, except those of Sweden and Finland, a complain must have pursued whatever remedy was available, either in the court through the administration, at least to the point of a decision, how unsatisfactory the complainant may have found it. However, the co dition is not too strict: where the complainant could not in the partic circumstances have been reasonably expected to have had recourse to t courts or the administration, or there is no obvious remedy or i inadequate, or (in France) the complainant has made 'representations' the authorities concerned without effective response, the condition met. The purpose of this condition is to give the responsible autho itself an opportunity to correct, and if necessary compensate, the f complained of, and to avoid a substitution of the ombudsman process normal remedies, political or administrative. Even in Sweden it app to be applied in practice, in that the Justitieombudsman, though bound to treat the exhaustion of remedies as a precondition of taking complaint, may often refer it to other agencies, including public pro cutors.

In Finland, Norway, France, and the United Kingdom, as under European Convention on Human Rights, a complainant must be actual victim of the fault of maladministration of which he or she com plains: in other words, the ombudsman process cannot be used individuals to raise general issues of administration. However, the between those members of the public who are, and those who are no affected by an act or practice of maladministration may not always be c

to draw; and where, as in the Scandinavian countries, the ombudsman may investigate administrative practice on his own initiative, the requirement that the complainant must be a victim of fault or maladministration appears to be of no great consequence – in fact, in Sweden and Denmark there is no such requirement. Not unrelated, however, is the question whether public servants may themselves bring complaints to the ombudsman on issues of administration; and only in France and Great Britain is this precluded. In Northern Ireland, the Parliamentary Commissioner and the Commissioner of Complaints may receive such complaints.

Action taken

The action taken by an ombudsman on complaints, which appear to justify it, is essentially investigation of the facts or situation with all necessary access to information and files, followed by commendations, court proceedings, or proposals to Parliament, according to the powers conferred on the ombudsman. Recommendations to the public authority concerned may be accompanied by an admonition and may include recommendations for court proceedings, civil or criminal; or, as in France and Denmark, the ombudsman may himself initiate court proceedings or instruct the public authority to start disciplinary proceedings. In all systems the ombudsman makes an annual report to the Parliament, and in the United Kingdom reports are considered by a Select Committee. Statistics show, perhaps predictably, that there are four areas of complaint common in all the systems: land expropriation and development, with the accent more recently on environmental issues; housing allocation; social security matters; and taxation. An assessment of the effectiveness of the ombudsman system cannot be attempted here. It would require an analysis, for example, of the numbers of complaints brought in relation to population, the numbers rejected, and the kinds of action taken on those investigated. It may be observed, however, that, on relative numbers of complaints, the average for Great Britain has been about 600 a year while in Sweden, with less than a fifth of the population, the ombudsmen dealt with 462 applications in 1973, though different inferences could be drawn from this comparison and futher analysis would be needed to choose between them.

What alternatives?

But since the ombudsman system is being gradually extended, it is worth asking whether for the United Kingdom it is more or less effective than other methods that have been proposed for the control of public administration and, more broadly, for the protection of common rights. Two such methods are the reorganization of the complex of administrative tribunals on lines similar to those operating, for example, in France and the Federal Republic of Germany, or the introduction of a Bill of

Rights. We have had at present over 400 tribunals with greater or l[illegible] powers of final decision, and specialized courts are not unknown to such as those dealing with restrictive practices and industrial relatio[illegible] The latter got little publicity for the large number of cases it received a[illegible] usefully determined, besides those raising sharp political confli[illegible] A nationalization of the system and perhaps more functional courts, [illegible] example for taxation and social security issues, might then be consider[illegible]

A Bill of Rights for the United Kingdom could have one of at le[illegible] three characteristic forms. It might set out, as many constitutions d[illegible] number of basic or common rights directly enforceable by the individ[illegible] in the ordinary courts or, as in the Federal Republic of Germany, [illegible] example, a constitutional court organized for the purpose. Alternativ[illegible] it might be designed simply as a control of legislation. So the Fede[illegible] Parliament of Canada enacted a Bill of Rights in 1960, which set o[illegible] number of common rights and declared that no statute, whether earl[illegible] or later, is to be interpreted or applied inconsistently with them. T[illegible] Supreme Court of Canada has already struck legislation down under t[illegible] Bill. Such a Bill of Rights might fall in more easily with British ways th[illegible] one of the first type. If it were enacted, could a statute repealing it [illegible] invalidated by the courts as being incompatible with the rights declar[illegible] Common sense says no, but those with paranoid concern for the sov[illegible] eignty of Parliament would doubtless say yes. A further alternative, a[illegible] a gentler version of the second, would be a Bill of Rights composed [illegible] principles or standards, not enforceable in any way by the courts, b[illegible] designed to govern legislative policy. Part IV of the Indian Constitut[illegible] (1950) is an example, and is described as Directive Principles.[5]

It is possible that a more systematic structure of administra[illegible] tribunals, a Bill of Rights in one form or another, and some adaptation [illegible] the Parliamentary Commissioner system, could be effectively combin[illegible] Here consideration should be given to the appointment of ombudsm[illegible] for particular regions, for countries, or for cities, and their establishm[illegible] for the Canadian provinces and particular cities in Switzerland and in t[illegible] United States points the way.

[5] However, in Part III of that Constitution there is also a set of enforceal[illegible] rights.

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Note of the month

PRESIDENT FORD'S 'OWN GUYS'

THE chain linking the governmental changes which hit Washington early in November was the decline in President Ford's popularity in his party and in the opinion polls. This came just as his campaign for re-election (or rather election, since he has never run for presidential office) in 1976 was getting under way. The impression that he was not up to the White House job was obviously spreading from the capital into the country; he had not even managed to preserve the constructive relationship with his old colleagues in Congress which was supposed to be his great asset when he succeeded Mr Nixon in the summer of 1974. And suddenly there seemed to be a real danger that Mr Ford might not even be the Republican nominee for the Presidency next year.

So it was to demonstrate his presidential authority that, without consulting anyone (or so he claimed), Mr Ford dismissed his Secretary of Defence, Dr Schlesinger, reduced the power of his Secretary of State, Dr Kissinger, and replaced the head of the Central Intelligence Agency, Mr Colby. The Secretary of Commerce, Mr Rogers Morton, also resigned, perhaps to take over the management of Mr Ford's ill-run election campaign. At the same time the Vice-President, Mr Nelson Rockefeller, whom the President had selected with great care little more than a year before, was pressured into announcing that he did not intend to be Mr Ford's running-mate in 1976. This announcement was a gesture of appeasement to the Republican right wing which threatens to support the presidential candidacy of ex-Governor Reagan of California at next summer's nominating convention.

There was reason for Dr Schlesinger's dismissal: he had publicly questioned the adequacy of the President's defence budget and the advisability of the concessions that Dr Kissinger was offering to the Russians, particularly as regards the limitation of strategic weapons, in the effort to foster détente. Moreover, there was little personal sympathy between Mr Ford and Dr Schlesinger, a brilliant and scholarly thinker, who did not find it easy to compromise for the sake of political expediency. But to reach the President he had to go through Dr Kissinger as head of the National Security Council in the White House, which made it difficult for him to convey to Mr Ford in private his disagreements with the Secretary of State.

Under the new arrangement, Dr Kissinger is no longer on the Presi-

dent's personal staff; therefore the President is now more likely to be presented with alternatives when making decisions on foreign policy even though the new director of the National Security Council, General Scowcroft, is regarded as a protégé of Dr Kissinger's. In addition, the new Secretary of Defence, Mr Donald Rumsfeld, had been very close to Mr Ford when they were both members of Congress and, more recently, as his chief personal adviser. Mr Rumsfeld had a little experience of defence matters when he was for a short period Mr Nixon's Ambassador to the North Atlantic Treaty Organisation. He is young and self-confident and is thought to share Dr Schlesinger's doubts about détente; with easy access to Mr Ford he will certainly be more effective in impressing the Department of Defence's views on the President, when he has had time to absorb them. But by then the life of this Administration will be coming to an end.

This, coupled with Mr Rockefeller's withdrawal, explains why all three of the new appointees were ready to change their jobs. Mr Ford's 'guys that I wanted' —Mr Rumsfeld, Mr Elliott Richardson, Mr George Bush—are all politically ambitious and like to be where the action is. Any one of them would probably accept the vice-presidential nomination if it were offered, for the sake of the national exposure that the campaign would bring; they are all well aware that, if Mr Ford is re-elected, he cannot stand again in 1980 and that, if he is defeated, he will not have the chance to do so.

Mr Rumsfeld will be able to build himself a nation-wide reputation from the Department of Defence; the Senate has already confirmed his nomination. Mr Richardson will not have any difficulty with the Senate either; hearings on a new appointment for him have become almost an annual event as he has moved from one high-level job to the next. The Department of Commerce, where he is going now, is not a very glamorous agency but it is more in the mainstream of influence than is the London Embassy which he is leaving. It is also perhaps more likely to lead Mr Richardson into the State Department where his real aspirations are thought to lie; whatever happens in next November's voting, Dr Kissinger is expected to retire by 1977. Mr Bush, however, may regret giving up his post of American representative in Peking; he may not even be confirmed in his new job as head of the Central Intelligence Agency however much his old colleagues in the Congress like him personally. There is a strong belief that such a sensitive agency should be completely non-partisan, particularly at a time when it must be reorganized after the allegations of its misuse of power coming out of the current congressional investigations. Moreover, some Senators feel that Mr Colby is being penalized because he has co-operated so frankly with them in this investigation.

On top of this, the dismissal of the respected Dr Schlesinger has pro-

duced an unfavourable reaction among exactly those Republicans who are leaning towards Mr Reagan and who were supposed to be won to Mr Ford's side by the alienation of Mr Rockefeller. This applies especially to the right-wing leaders of the party in the South, whose support is important to Mr Ford if he is to secure the nomination in 1976. Mr Rockefeller's liberal past makes him anathema to them but they are also most suspicious of concessions to the Soviet Union. Dr Schlesinger will probably now express his doubts even more publicly than when he was in office, to the satisfaction not only of conservative Republicans but also of many Democrats, notably Senator Henry Jackson, a leading contender for that party's presidential nomination.

The first tests of Mr Reagan's acceptability will come at the end of February and early in March, with the primary elections in New Hampshire and Florida, when Republican voters in those states will have an opportunity to show whether they prefer him to Mr Ford. These are both states where Mr Reagan has better chances than in many of the 28 others where primary elections will be held next spring and early summer. The President's dilemma is that, to counter Mr Reagan, he must hold to the conservative course which appeals to him naturally, but, to win the general election, he must build up a much broader constituency. Already moderates in his own party are preparing to challenge him for the nomination, should he move too far to the right, or to challenge Mr Reagan, should he push Mr Ford out of the race altogether.

Mr Rockefeller's renunciation of the vice-presidential position leaves him once again available for the top job, should the nominating convention look in his direction, and there is little doubt that he would like it to do so. To his political advantage is his advocacy of help from the Federal Government to save New York City from bankruptcy in its present crisis, help which the President scorned to recognize as necessary-- although he may relent at the last minute. Mr Ford's unsympathetic toughness on this matter has been applauded by fiscal conservatives both in and out of Congress; but it has been noted with apprehension in other hard-pressed cities and by the many investors in the municipal bond market. Mr Rockefeller, as an ex-Governor of New York State, has a better understanding of urban problems than Mr Ford and, as a presidential candidate, might win more votes in the big centres of population which are traditionally the Opposition's strongholds. On the other hand, this autumn's local elections suggest that a reactionary tide is gathering in the United States.

Mr Ford would clearly be happy to sweep back into office on that tide but, unfortunately for him, what is also wanted is decisive leadership from the President, and that he is not supplying. Without it, the present stalemate between the Democratic legislature and the Republican executive will continue to frustrate effective action to deal with the country's

problems. Instead of restoring confidence in government by the cha in his Administration, Mr Ford merely underlined his own insecuri his mishandling of what were in most cases desirable alterations. Hc underlined that for him, and therefore for much of Washington prime consideration in all that is done during the next year, wh abroad or at home, will be the domestic political impact. This situ is not a happy prospect for the world at large but Mr Ford's inadequ should encourage the Democratic opposition. Unfortunately the De crats are dividing their strength among a large number of hopeful ca dates—ten of them so far, without Senator Kennedy or Ser Humphrey—and these divisions seem likely, as so often in the pa weaken the challenge which their eventual presidential nominee offer to the Republican candidate. For Americans 1976 will open wi uncertain a political outlook as they have ever faced.

NANCY BALFO

Portugal: the search for a new political regime

THOMAS C. BRUNEAU

The radicalization of the revolution of 25 April 1974 has destroy the previous regime without replacing it with another. As the economic crisis worsens, a new political model must be formulated or violence is likely to increase.

THE underlying theme linking the causes of the coup of 25 April and the present volatile situation in Portugal is the continuing cris society. The Programme of the Armed Forces Movement (MFA) claimed on the morrow of the revolution that its actions were justifi the need to resolve the crisis. In an earlier article I discussed aspec this crisis and explained how it led to the overthrow of the Ca regime.[1] Seventeen months of intense revolutionary activity pa but in the Programme of the Sixth Provisional Government publi on 13 September 1975 the highest priority was still 'to resolve the c

[1] Thomas C. Bruneau, 'The Portuguese coup: causes and probable co quences', *The World Today*, July 1974.

Dr Bruneau is Associate Professor of Political Science at McGill Univer Canada, and author of *The Political Transformation of the Brazilian Cat Church* (Cambridge: Cambridge University Press, 1974). In September 197 revisited Portugal, including the rural areas. This article appears also in Ger in *Europa-Archiv* (Bonn).

through which Portuguese society is passing'. The crisis has been aggravated by the process of politicization which has not only destroyed the structures of the fascist/corporative regime but also stalemated the principal contenders for power. No group possesses sufficient power to impose its model of politics over the contradictory plans of others and thus the whole question of regime (government and its links to economy and society) is open. As the stalemate continues the crisis grows worse and increasingly difficult to resolve, and violence becomes more likely.

The extent of revolutionary change

To appreciate the intensity of revolutionary activity and politicization we need only compare the Programme of the MFA with the developments during the past year and a half. The Programme is a moderate and essentially democratic statement of intent. It guarantees elections, freedom of association, the elimination of censorship and other pernicious aspects of control, and indicates that the problem of the African territories will be resolved politically. It promises that, once Portugal is on the democratic path, the armed forces will return to exclusively military functions. And, finally, it provides for social and economic improvements for the lower class requiring in turn an anti-monopoly strategy.[2]

The Programme has been superseded in some respects and contradicted in others. Recognition of the independence of Guinea and Mozambique was largely formal and proceeded without great difficulties. Angola was by far the most valuable of the territories, but what began as a negotiated settlement in which the white settlers could have remained became a civil war resulting in an exodus of some 400,000 to 500,000 settlers fleeing before the withdrawal of the military on the achievement of independence in November. There is civil war on Timor, and even parts of the country considered integral (such as Madeira and the Azores) have independence movements. Thus in a very short period Portugal has shrunk from her former official size and wealth and the process has been anything but orderly. The shrinking has also negated that 'special destiny' which was Portugal's much discussed special heritage. A similar about-face has occurred in regard to her identification with the power blocks. From a selective but strong identification with the West, and primarily the NATO countries, there has been a complete reorientation towards the East not only for the model of society but also for the instruments to achieve this end. The image to shun is no longer Czechoslovakia of 1968

[2] We need not find Communist influence in this formulation if we remember that the Portuguese economy was largely controlled by a handful of monopolies such as the CUF, the Espirito Santo group, the BNU, and the Champalimaud group. For a very informative article but one which, in my view, over-emphasizes the role of the Communists in all areas, including the anti-monopoly strategy, see Arnold Hottinger, 'The Rise of Portugal's Communists', *Problems of Communism*, July-August 1975.

but Chile of 1973. What is more, much has been done to fulfil the requirements of the socialist model. Banks and insurance companies have been nationalized along with the other national monopolies and now approximately fifty per cent of firms are owned by the state. There has been much redistribution of income with the nationalizations and the establishment of minimum wages for urban workers and price support for their rural counterparts. And the content, or manner of functioning of many sectors in the society has changed from the previous centralized hierarchical form to one which is decentralized not to say anarchic. This is because innumerable types of commissions have been formed within shops, businesses, local government bodies, the state bureaucracy and even the armed forces which take the decisions. The proper term might be 'sovietization of the society', except that this would convey the misleading impression that the Communists are in control. No single organized group controls the commissions and, insofar as there is anything to control, the Communists struggle with groups further to the left. The country is in a revolutionary situation, for most of the revolutionary content has yet to be implemented in Lisbon, let alone the rural areas, but the potential exists, and it now requires both more structures to relate to the population and the power with which to do it.

Ordinarily, military regimes fall short of, rather than exceed, their initially stated goals. Why is the Portuguese case different? Not only have the goals been superseded but a revolutionary process has begun in society, which has turned around and revolutionized the armed forces to the extent that they are unable to limit the process internally or externally. The explanation lies with the conflict in the struggle for power of the groups within a context which is increasingly unstructured.

The dismantling of the old regime

In the previous article I described the fascist/corporative system and explained how it structured control. The society was directed from an extremely small pinnacle; there were no channels whereby the vast majority could express their views; and the structures to which they belonged kept them depoliticized and apathetic. However, due to the growing crisis in society caused mainly by the wars in Africa, the structures were increasingly less effective and it was necessary to rely heavily on the security apparatus. On taking power, the MFA dismantled most of the (PIDE/DGS, GNR, *Legião*, *Mocidade*, etc.), eliminated the official party (*Acção Nacional Popular*), and set in motion a process to eliminate virtually all the structures of the old regime. Partially because of the MFA encouragement, and partially on account of a deepseated dissatisfaction with the former regime, the people themselves took a hand in the changes. Integral to the process was the ousting of the political elites of the regime and their replacement with elements whose main claim was

record of opposition. These processes [illegible] of structures of control and the infusion of the [illegible] with heterogeneous and more radical tendencies.

The dismantling of the framework was intertwined with the [illegible] for power of the three groups, for they not only competed with one another but also used all available structures for this end. The three dominant groups whose interaction must be analysed are General Spínola's, the MFA, and the Portuguese Communist Party (PCP).

The background and views of General Spínola are sufficiently well known to state that neither he nor those around him desired a radicaliza-tion of the process begun on 25 April 1974. Rather, they wanted a certain liberalization of the regime, negotiations for some of the African terri-tories, and improvements in the social situation of the Portuguese people. But Spínola and his group were not core members of the MFA and, in order to implement these moderate goals, had to struggle with the other two groups. A dialectical process began which radicalized the MFA and each time Spínola was countered, the revolution itself became more radical. It was Spínola's innovative type of war in Guinea which started the critical process leading to the coup, and he activated it more immedi-ately both by the publication of his book and the treatment he received from the Caetano Government in early 1974. Those around him, who included Lt Colonel Firmino Miguel, Lt Colonel Almeida Bruno, and Major Sanches Osório, had links with the MFA but were not its key members. Once Spínola was selected by the MFA because of his prestige as President of the Junta of National Salvation (JSN) and then of the First and Second Provisional Governments, his known desire to be President, and to rule as one, became manifest.[3] His consort, Premier Palma Carlos, was forced by the MFA to resign in July when he unsuc-cessfully attempted to schedule presidential elections for the autumn in order to increase Spínola's popular power. Spínola was unable to impose a member of his group, Firmino Miguel, for the MFA countered with Colonel Vasco Gonçalves. Each move by Spínola to control the political process was in turn blocked by the MFA which saw 'its revolution' in jeopardy, as well as by the Communists and the Socialists (PS) which, during this stage, were co-operating and encouraging the MFA. The high points of the struggle between Spínola on one side and the MFA, PCP, and PS on the other came in July 1974 with the naming of Vasco Gonçalves as Prime Minister, in late September with the blocking of the

[3] For speculations on Spínola's intentions to replace President Tomás in 1970 see Avelino Rodrigues, et al., *O Movimento dos Capitães e o 25 de Abril* (Lisboa: Moraes Editores, 1974), p. 259. This is the best book on the origins of the coup of 25 April 1974. For some insights on the role of Spínola in radicalizing the revolu-tionary process I am indebted to an unpublished manuscript by Professor Lawrence S. Graham entitled 'Politics in Revolutionary Portugal: An Interim Assessment'.

'March of the Silent Majority' and Spínola's resignation, and in early March this year with the attempted coup and Spínola's hasty departure from Portugal. Each of these stages was also a plateau of radicalization. Vasco Gonçalves is sympathetic to Communism and during his tenure of office, from July 1974 to August 1975, the PCP orientation became dominant in the Government. In September after Spínola's resignation businessmen were imprisoned and the General's moderate supporters purged. In March the banks and insurance companies were nationalized, more moderate officers removed, and the MFA reorganized with radicals in control. Spínola's strong desire to rule polarized the political situation, forcing a union between the MFA and the parties of the left. And in its struggle against Spínola the MFA could move nowhere but left, since the middle ground was already occupied by the General and his sympathizers.

The MFA did not emerge on 25 April 1974 as a very radical group and its Programme is a fair statement of the consensus of opinion. Few politicized elements existed and those on the left, such as Vasco Gonçalves and Major Varela Gomes, were more than balanced by moderates such as Major Melo Antunes and Major Victor Alves. But there has indeed been a radicalization; this was due largely to the struggle with Spínola, but there were two further reasons. The first was the MFA's lack of experience in political matters. Unlike their counterparts in many Latin American countries, the Portuguese armed forces were not involved in politics in the 1920s they recognized their incapacity in this respect and turned over the government to Salazar. The MFA is composed of middle rank officers from the lower middle class whose parents could not afford to educate them at university. With the war in Africa they were obliged to serve successive two-year 'commissions' and were largely isolated for as long as ten years. They demonstrated their prowess in military tactics on 25 April and at first everything went so well that it appeared as though anything were possible. Their confusion of military tactics with political strategy was not countered by the political parties seeking favour, or by the media which lacked a tradition of critical independence, nor indeed by the hordes of foreign journalists keen to interview the men who made the revolution. Moreover, the 5th Division of the General Staff was turned into a propaganda arm which was dominated by the Communist Party and gave courses, prepared programmes for the information media, and published books and documents celebrating the MFA and the revolution. In short, the revolution was easier to make than anticipated and the MFA came to believe that the entire revolutionary process would be just as easy, providing Spínola and his supporters in business circles and the armed forces did not hinder them. Second was the need to bring newer elements into the MFA as its original members took higher and higher jobs and as Spínola's sympathizers

were purged. This brought in draftees (*milicianos*) who had been to university, were politicized, and then forced to join the armed forces. It also introduced elements from the Navy which had a tradition of radicalism but were not originally involved in the MFA. And, as the process of dismantling went on, it drew in new elements from lower levels in the officer corps or the ranks. The result was that the 200-man Armed Forces Assembly of March 1975 was a very radical group indeed, whose documents far exceeded the MFA Programme.

Until last August the Communist Party was extremely successful in having its goals implemented in the Portuguese revolution. It was able to achieve this despite its poor showing in the April 1975 elections (where it only gained 12·5 per cent of the vote) because it had the characteristics demanded by Lenin: organization and ideology. The Communists were as surprised as everyone else by the 25 April coup but could take advantage of the possibilities sooner because of their superior organization, resources, and cadre. They enjoyed the sympathy of the MFA, even though only a handful were near to the party, for three main reasons: the PCP ideology facilitated the understanding of the MFA concerning their actions, their enemies, and the future evolution of the society; the PCP role under the Salazar/Caetano regimes demonstrated aspects of heroism which could be glorified; and, from the beginning the Communists' strategy was to agree with the MFA on everything, thereby demonstrating their loyalty. Following the imperatives of their ideology, and with a carte blanche from the MFA, they mobilized the organization to give *their* content to the revolutionary process. The sectors in which they have been most successful are the media (all television and radio, about half of the daily papers, the 5th Division), the state bureaucracy (Ministries of Agriculture, Labour, and Social Security), and at the bases of society either through commissions in industry and commerce or in local administration, most often through their ally the MDP/CDE. There is some evidence that the PCP engineered the crises in September 1974 and March 1975, after which they made gains, but we must recognize that the Socialist Party was extremely important in the former, that the MFA was the critical actor, and that Spínola, either through omission or commission, did not act effectively.

The stalemate of political models

The most important result of the struggle for power between these groups has been the destruction of the old regime in terms of structures, elites, and legitimacy. But what is more significant is the inability of any one group to either establish a consensus or to gather enough power to create a new one. There is no single regime but rather several 'distinct and incompatible ideological projects' as characterized by the 'Document of The Nine' of last August. The political regime is especially crucial

because in negating the past it will also determine the model of economy and society. We can only briefly summarize the main possibilities which have been promoted and remain contenders without yet being implemented.

The regime in ascendancy until mid-1975 was the PCP's. It was based on a doctrinaire Communist model which emphasizes its ability to improve the situation of the poorest in the most efficient manner; elections are not important, as soviets under the control of the party are supposed to communicate the needs and desires of the population. This form has been officially discarded but remains a contender as the PCP maintains control of most of those sectors previously noted. It did not achieve a hegemony because it, like the MFA itself, seemed to think it had already won; that is, the strategy was crude and counter-productive. There was reaction from small landowners in the North who were afraid the Communists would take away their land, from Catholics because some bishops denounced the Communists, and from the Socialists because they realized that the PCP was gaining power despite the elections in which the PS had received 38 per cent. Finally, in August, the Nine of the Revolutionary Council published a *document against the pro-PCP* orientation of Premier Vasco Gonçalves. This led to a reshuffle within the armed forces with the result that Vasco Gonçalves was ousted, more moderate elements took control, a purge of PCP sympathizers began, and the Sixth Provisional Government was formed with a limited role for the Communists. The latter's model for a regime is at present stalemated not only at the national level but even within unions and local governments.[4]

The regime outlined in the Programme of the MFA is essentially liberal democratic with elections and political parties. As it has developed in Portugal, it includes a mixed economy and extensive redistribution of wealth. This regime was initially implemented through the elections in April, continues with meetings of the Constituent Assembly, and will be further elaborated in elections for a General Assembly early next year. It is, however, only partially fulfilled. Due to the radicalization within the MFA, and sparked by the attempted coup in March 1975, the MFA forced the parties to sign a Party Pact on 11 April which both limits them and the constitution, and also gives the MFA a tutelary role in politics during three to five years. In addition, it is the MFA and its core, the Council of the Revolution, that selects the President, the Prime Minister and the governments. Thus, although some aspects of the liberal democratic regime are implemented, real power formally rests with the MFA.

It would have been natural for the MFA who made the coup to have their own model of regime, as in Egypt or Peru. However, because of the

[4] The Nine include such key figures in the original MFA as Melo Antunes, Vasco Lourenço, Franco Charais, and Victor Alves. For the document see *Expresso*, 9 August 1975.

ld regime and the process of preparing the coup, [illegible]
iberal democratic form. In the radicalization since the Programme [illegible]
drafted they have evolved new forms, adding them to the original [illegible]
esolving the contradictions. First, there was the limitation of the liberal
democratic regime in the Party Pact of 11 April 1975. Then, there was
the formulation by the Armed Forces Assembly of the Plan of Political
Action (PAP) on 21 June, which defined the path towards socialism
through collectivization of the means of production and government by
basic democracy. PAP is very close to the Communist model. The PCP
was checked by the Document of the Nine in August and presumably so
was its particular type of basic democracy. However, at about the same
time (13 August), elements in the internal security force COPCON pub-
licized a new model emphasizing 'popular power' as a counter to both
liberal democracy and the PCP.[1] In sum, there are at least three different
and antagonistic regimes being discussed and to some degree functioning,
but no single one can be implemented as there is neither consensus nor
sufficient force.

At the time of the coup the armed forces had some 200,000 reasonably
well-disciplined and combat-ready troops. Today, with demobilization,
there are about 60,000 which are anything but disciplined. Each day
brings to light new manifestations of the breakdown of discipline, varying
from simple neglect of orders to participation in demonstrations, siding
with those to be controlled, occupations, and culminating in the distribu-
tion of arms to civilians. The disarray in the armed forces can be under-
stood by recalling that the original coup overthrew not only the civilian
government but also the military hierarchy, that the struggles with
Spinola led to further disruption in the ranks, and that with dissension at
the top of the armed forces, in the MFA itself, equivocations and contra-
dictory orders resulted. Furthermore, the 5th Division and the political
parties were allowed to politicize the troops so that the position of an
officer in the hierarchy matters less than his standing in the ideological
spectrum. Thus, even if the MFA could agree on a regime, they probably
could not muster the force to impose it.

Aggravating economic factors

Until now the radicalization, lack of a homogeneous regime, and even
disruption in the armed force has brought forth little violence as there
was plenty of money around to cushion the population against their
logical effects. About $2,000 m. of foreign-exchange savings have been
spent in the past eighteen months and the population in general has
had a positive impression of the results of revolution. Those few who

[1] For the documents of the Party Pact and PAP see *A Capital*, 19 September 1975; the key points of the Sixth Provisional Government are also there. For the COPCON document see *Expresso*, 15 August 1975.

were nationalized and/or imprisoned have not been able to poison an atmosphere which can only be termed surrealistic. Now, however, the economy shows clearly the signs of politicization, incompetence, and a general loss of confidence, and what is saved from the African wars is more than consumed by the costs of supporting the Angolan refugees as well as by the paralysed bureaucracies.

'Crisis' is the only appropriate term for the economic situation in Portugal.[6] The inflation rate remains artificially low at just over 20 per cent despite the fixing of rents and the prices of some foodstuffs. Estimates are for a decrease of 6 per cent in the GNP this year which will grow worse with increasingly gloomy perspectives for investment, a rise in the default for loans, and confused policies with little implementation by the successive governments. For instance, in a survey carried out in May on the level of activity in various sectors of the economy, 68 per cent replied that activity was much lower or lower than usual, 29 per cent that it was normal, and the remaining 3 per cent that it was above normal. The contrasting percentages for April 1974 were 22 per cent lower or much lower, 58 per cent normal, and 20 per cent higher or much higher.[7] The figures ring true from interviews with businessmen and from a [illegible] other sources. Trade deficits are not new for Portugal, but in the past they were balanced by profits from tourism and the remittances of Portuguese living abroad. Today there is no tourism whatsoever, and the remittances are down by some 80 per cent as the Portuguese abroad have little confidence in the home governments. The deficit this year will be between $1,000 m. and $1,300 m., and if the deficits continue at the rate of the past 18 months, the gold reserves worth more than $2,000 (depending on the price of gold) will be exhausted in between [illegible] months to one year. The EEC has allocated $187 m. and the US $80 [illegible] but these are for particular projects and it will take some months before they are even drawn upon. So far the unemployment rate is 10 per cent of the three million economically active people but with the growing crisis, the demobilizations, and the return of nearly half a million Angolan refugees the projected figure is 20 per cent by next spring.

The continuing crisis

The prospect ahead is of a multiplication of crises. There is the ge[illegible] political crisis of the lack of a single regime and, specifically, of we[illegible] governments and no discipline in the armed forces. There is the economic crisis of impending bankruptcy and growing unemployment. And the

[6] Interviews with members of the Nine all stress the parlous state of the economy. See, for instance, the interview with Victor Alves in *Expresso* of 20 September 1975. For material on the economy see the weekly reports in *Expresso* [illegible] *Mundial*, and the report of May/June of GEEF (Gabinete de Estudos Economicos e Financeiros) of Banco Portugues do Atlantico.

[7] GEEF, p. 5.

s a social crisis of confusion and the absence of defined patterns of behaviour. This last point is most clear with regard to the Angolan refugees who are not only disoriented but also disillusioned with the successive governments which, they feel, have betrayed them. Their potential for violence is recognized and *they will be joined by other Portuguese* as unemployment increases and goods run short in the stores due to the lack of foreign exchange. At that point the crisis could well take a very violent direction, for the armed forces are split and more than 20,000 automatic weapons have been passed on to a myriad of groups on the far left.[9] An increase in violence will provide a greater basis of support and opportunity for the return of General Spínola, Alpoim Calvão, and other members of the Democratic Movement for the Liberation of Portugal (MDLP) which is waiting and preparing for just such an eventuality.

There can be no resolution of the generalized crisis in Portugal, short of extensive violence or civil war, without the formulation of a new political regime. For this to happen a number of steps must be taken which include the withdrawal of the armed forces from direct political involvement, the forging of at least a few competent units which will follow commands, and the turning over of power, such as it is, to a civilian government that would complete the new constitution and go ahead with the elections for the General Assembly early next year. In this way the responsibility for governing could be assigned to those elected by the people, so that when the full impact of the economic crisis strikes everyone will be seen to have a share of the blame. The few competent military units would provide coverage for the civilian government and allow it to begin to take what will of necessity be unpopular measures. Undoubtedly the revolutionary process will have to be slowed down, but perhaps in this way it can, in fact, be implemented and not be negated either by a return of the right or a coup of the left, followed by some form of intervention or civil war. Politics reigns supreme today in Portugal and the present rulers do not seem to appreciate that building a regime is easily as difficult as waging three simultaneous wars in Africa. The wars caused much grief and will have accomplished little unless the downfall of the fascist/corporative system can be followed by an equally stable but better one.

[9] Unfortunately there is no space to examine some of these important groups. For a general introduction see António dos Reis (ed.), *A Opção do Voto* (Lisboa: Intervoz Publicidade, n.d.). *Vida Mundial* carries interviews and essays on the groups of the far left.

Germany's changing role in the EEC

MICHAEL LEIGH

Bonn's insistence on tighter control of EEC expenditure has produced accusations of 'Gaullist' obstructionism. But Germany's current role in Community bargaining reflects changed political and economic conditions within the Federal Republic and abroad rather than disenchantment with the goal of European integration.

WEST GERMANY faced defeat in Brussels on 29 September 1975 when the EEC Council of Ministers voted to approve the Community's draft budget for 1976. After agreeing to cut 600 million units of account (u.a.) from the Commission's proposed budget, the Ministers of the other eight countries refused Germany's call for further cuts of 320 m. u.a. from agricultural support spending. They endorsed an overall budget of 7·46 billion[1] u.a., an increase of 18·9 per cent over the 1975 draft.[2] This left the Federal Republic's budget Minister, Joachim Hiehle, in a minority of one. The Bonn Cabinet was unwilling to press its case to a veto, which would have reopened the Luxembourg compromise of 1966 and provoked a Community crisis. It accepted the majority vote in the Council but deplored it in public. Dr Hans Apel, the Federal Finance Minister, told a German television audience: 'Our partners must realize that they can put such an important country as West Germany into the minority just once—not repeatedly.'

Germany's isolation in the budget Council came as the culmination of more than a year of friction between Bonn and Brussels. During this period the strategy and tactics of Germany's EEC policy changed. She sought, at a minimum, to restrain spending and, at a maximum, to secure fundamental changes in unsatisfactory aspects of Community activities. First among these was the Common Agricultural Policy (CAP), which Chancellor Helmut Schmidt blamed for 'an enormous misguidance of economic resources.' Other fields, such as research, regional aid, the social fund, and assistance to non-associated developing countries, were also subjected to withering fiscal scrutiny. After the budget debacle

[1] One billion = a thousand millions.

[2] Germany estimated the increase in real terms at 29 per cent.

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September, the twin objectives of stricter financial control and fundamental reform coalesced in a plan to be submitted to the European Council in Rome on 1 December 1975 for a special budget Commissioner with the right of veto over proposals for Community spending. This plan, an old favourite of Schmidt's, derives from the Federal Audit Office in Bonn.

German members of the Committee of Permanent Representatives (Coreper) and the Council of Ministers implemented the new strategy by employing tactics not previously associated with the Federal Republic. They blocked agreements by threatening vetoes until German preconditions were met. Meanwhile German Ministsrs made well publicized criticisms of the Community's cumbersome bureaucracy and the lack of common will among its members. Finally, Germany usually conceded the immediate issue at stake in exchange for agreement from the other eight to undertake a fundamental review of the overall area of policy.

These tactics were employed most conspicuously on three occasions: in the autumn of 1974, when Germany secured French acquiescence in a 'stocktaking' of the CAP in exchange for an additional 5 per cent increase in farm prices;[3] in the summer of 1975, when Germany withdrew her censure of Euratom's energy research programme in exchange for the Commission's agreement to present new guidelines for future research policy; and in the autumn of 1975, when the withdrawal of Germany's threatened veto at the budget Council elicited a joint statement on the need to achieve economies in Community spending.

In Venice last September German officials walked out of a meeting of the wine marketing management committee, a normally apolitical body. But the threat of an empty chair did not prevent the Commission from extending subsidies on wine exports to non-Community countries or from abolishing the 12·3 per cent monetary compensation amount, or border tax, on French and Italian wine entering Germany. The walk-out was staged as a protest at the attempt to resolve another crisis of over-production at the expense of the Community (read 'German') budget.

Chancellor Schmidt insists that Germany has not become 'anti-European': 'You are not rejecting the Common Market just because you criticise its mistakes,' he said recently. As for transfers of funds from Germany to the weaker European economies, he wrote: 'My country, whose financial capacity should not be overtaxed in the process, looks upon such payments as the cost of the integration venture.'[4] Nor does he deny the benefits which have accrued to German industry from intra-Community trade. He repeated that Germany remains willing to finance

[3] See Trevor Parfitt, 'CAP—beginning to take stock', *The World Today*, November 1974.

[4] Helmut Schmidt, 'The struggle for the world product: politics between power and morals,' *Foreign Affairs*, Vol. 52, No. 3, April 1974.

projects which genuinely promote European integration in a series of personal letters sent to the leaders of the Eight on 10 October 1975.[5]

Several factors support the Chancellor's contention. He has usually settled for rather anodyne statements of the need for structural reform and, in pressing for cuts, has left agricultural spending, 72 per cent of the Community budget, comparatively unscathed. This has avoided a split with France, Holland, and Denmark, the net beneficiaries of the CAP, and prevented the alienation of Germany's own farmers.[6] Other member states endorse many of Germany's criticisms but are less outspoken because of a different configuration of interests and internal pressures.

This article suggests that the reorientation in Bonn's EEC policy has been commensurate with new conditions in Germany and abroad. It examines the impact of four sets of factors on this policy: the Schmidt succession; Bonn coalition politics; Germany's economic performance and changes in the international system.

The Schmidt succession

Helmut Schmidt's commitment to the federalist ideal is more ambivalent than that of his predecessors. He voted against ratification of the Rome Treaty in 1957, nominally because it excluded Great Britain. But the only type of 'Europe' Britain was ready to join in 1957 was a loose zone of free exchange. So Schmidt's 1957 vote translates into a preference for a more open, more Atlantic, more co-operative and less supranational Europe than that provided for in the Rome Treaty.

But Schmidt willingly accommodated himself to the EEC. His record as Defence and Foreign Minister between 1969 and 1974 was one of Atlanticism, budgetary caution, and reformist zeal. He deprecated federalist pieties if not accompanied by practical demonstrations of co-operative will. He supported the currency snake as a possible first step towards Economic and Monetary Union (EMU) but preferred to underwrite it through bilateral support operations. He attempted to dissuade France from leaving the snake in January 1974 by dangling a DM 9,000 m loan which he called 'the greatest currency support any single country has ever offered.' But despite the interest of the French Finance Minister Valéry Giscard d'Estaing, President Georges Pompidou declined the offer. Some Christian Democratic circles feared that Schmidt preferred a Deutsche Mark zone, incorporating Benelux, Scandinavia, Austria and Switzerland to a Community-based union extending to the Mediterranean. But he rejoined that the harder currencies were simply keeping the snake alive until others were able to join it.

[5] *International Herald Tribune*, 15 October 1975.

[6] Josef Ertl, the FDP farm Minister, proved remarkably conciliatory at the Council of Agriculture Ministers in Luxembourg on 30 October 1975, which met to prepare for the December summit.

Willy Brandt usually supported his Finance Minister's calls for reform but with more circumspection. He told the European Parliament, upon receiving its gold medal in November 1973: 'As long as our citizens—*sometimes wrongly*—believe the management of finances is more lax [in the Community] than in the member states, they are unlikely to understand or approve our allocating more funds to Brussels.'[7] Given this difference in emphasis and the constraints imposed on even the most influential Finance Minister by the Willy Brandt-Walter Scheel team, it was reasonable to predict that Schmidt's more critical approach would have greater impact when he succeeded to the Chancellorship.

Coalition politics

Schmidt immediately set his personal mark on the Cabinet, appointing five new Ministers and promoting his Hamburg colleague, Hans Apel, to the post of Finance Minister. The election of the Foreign Minister, Walter Scheel, to the Federal Presidency relieved the new Chancellor of a former rival whom he had earlier failed to displace as second in command to Brandt. None the less, the constraints of operating through the coalition remained.

Scheel bequeathed a remarkable achievement to his successor as Foreign Minister, Vice-Chancellor, and FDP leader, Hans-Dietrich Genscher. The FDP holds the Ministries of the Interior, Agriculture, Economics, and Foreign Affairs, and the Federal Presidency. Scheel claimed and won the right to nominate one of Germany's two EEC Commissioners. After Ralf Dahrendorf's resignation and the CDU's failure to find a willing replacement, it fell once again to the FDP to nominate a Commissioner. It eventually chose Guido Brunner, head of the planning staff at the Ministry of Foreign Affairs in Bonn and a confidant of Scheel's for more than twenty years. Genscher, eager to establish his authority, proved quite willing to let Brunner depart for Brussels. But the FDP's growing tendency to support Commission initiatives, even when opposed by its senior coalition partner, has improved relations between Brunner and Genscher.

This has not been counterbalanced by comparable harmony between Schmidt and the SPD Commissioner. Wilhelm Haferkamp was nominated by Brandt in 1967 and is not close to Schmidt; he tends to adopt a neutral role in clashes between Bonn and Brussels. Haferkamp belied rumours that he would resign to join the *Land* government in Düsseldorf after the North-Rhine Westphalia elections in May 1975, depriving the Chancellor of a chance of nominating a Commissioner closer to his own outlook. This opportunity will not arise, unless Haferkamp changes his mind, until his term of office expires in 1976. Schmidt's jaundiced view

[7] Emphasis added. *Official Journal of the European Communities*, Debates of the European Parliament, No. 168, November 1973.

of Community procedures has probably been influenced by this network of personalities.

Landtag elections have reinforced centrifugal tendencies within the Bonn coalition. After the severe Hamburg setback in which the SPD's share of the vote dropped by more than 10 per cent, party leaders hoped that Schmidt would prove a vote winner. But the deepening recession prevented him from doing more than containing the party's losses, notably in North-Rhine Westphalia. Its mediocre performance was

German State and Federal Elections 1972–1975

Per cent share of the vote (per cent change since last election)
Number of seats (change since last election)

	SPD	*FDP*	*CDU (CSU in Bavaria)*
Baden-Württemberg	37·5 (+8·5)	8·9 (-4·5)	53·0 (+8 8)
23 April 1972	45 (+8)	10 (8)	65 (+5)
Bundestag	45·8 (+3·1)	8·4 (+2·6)	44·9 (1·2)
19 November 1972	230 (+6)	41 (+9)	225 (17)
Hamburg	44·9 (10·4)	10·9 (+3·8)	40·6 (+7·8)
4 March 1974	56 (14)	13 (+4)	51 (+10)
Lower Saxony	43·0 (−3·3)	7·1 (+2·7)	48·9 (+3·2)
9 June 1974	67 (−8)	11 (+11)	77 (+3)
Hesse	43·2 (−2·7)	7·4 (2·7)	47·3 (+7·6)
27 October 1974	49 (-4)	8 (3)	53 (+7)
Bavaria	30·2 (3·1)	5·2 (−0·3)	62·1 (+5 7)
27 October 1974	64 (6)	8 (2)	132 (+8)
Berlin	42·7 (7·7)	7·2 (- 1·3)	43·9 (+5 7)
2 March 1975	67 (6)	11 (0)	68 (+14)
Rhineland Palatinate	38·5 (−2·0)	5·6 (0·3)	53·9 (+3·0)
9 March 1975	40 (- 2)	5 (1)	55 (+3)
Schleswig-Holstein	40·1 (−0·9)	7·1 (+3·3)	50·4 (- 1·5)
13 April 1975	30 (−2)	5 (+5)	37 (- 3)
North Rhine Westphalia 4 May 1975	45·1 (−1·0)	6·7 (+1·2)	47·1 (+0 8)
	91 (−3)	14 (+3)	95 (0)
Saarland	41·8 (+1·0)	7·4 (+3·0)	49·1 (+1·3)
4 May 1975	22 (−1)	3 (+3)	25 (-2)
Bremen	48·8 (−6·5)	13·0 (+5·9)	33·8 (+2·2)
28 September 1975	52 (−7)	13 (+6)	35 (+1)

Note: Share of the vote does not add up to 100 per cent because splinter parties have been omitted. After the NDP decided not to contest the Baden-Württemberg *Land* election no splinter party has been represented in a state parliament except for the Danish minority party in Schleswig-Holstein.

punctuated by the disasters of Berlin and Bremen, formerly SPD strongholds.[8]

The FDP's electoral record has not been one of unalloyed success. But it has more reason for satisfaction than its national coalition partner, especially after Bremen. Although the party rarely matched its 8·4 per cent share of the vote in the 1972 general election, it jumped the 5 per cent hurdle to gain representation in three *Länder*, ending the cycle with deputies in all eleven state parliaments.

Only the CDU-CSU registered gains across the board. But extrapolations to the 1976 Bundestag elections are problematic. The party gained from the inevitable disenchantment with the Government in a period of economic difficulties. But its Chairman and candidate for Chancellor, Helmut Kohl, has so far failed to match Schmidt's personal stature.

The electoral situation provides Schmidt with a stimulus, or pretext, to campaign against aspects of EEC policy which burden the German taxpayer. Denunciations of bureaucratic mismanagement in the EEC are designed to deflect criticism of excess spending from Bonn to Brussels. Germany's lone stand in the budget Council and Schmidt's unprecedented round of cautionary letters to the leaders of the Eight coincided with the Bremen election where the SPD's share of the vote dipped below 50 per cent for the first time since the war.

The FDP has now achieved the kind of power that goes considerably beyond its numerical strength. Confirmation of the party's indispensability has encouraged FDP leaders to take strong stands on issues such as investment steering, co-determination, and abortion reform on which SPD supporters are divided. Martin Bangemann, the party's General Secretary until his resignation early in October, urged it to establish as much distance as possible from the SPD. But Genscher rejected Bangemann's advocacy of an electoral alliance with the CDU. Since Schmidt has pre-empted FDP criticisms of the *Jusos* (Young Socialists) and other left-wing elements within the SPD, Genscher needed to find other issues on which to hang a distinct FDP position. Hence he has become noticeably more enthusiastic about the EEC at a time when Schmidt has been airing his reservations.

Coalition divergences spilled over into German EEC policy last summer. At the Community's Council of Research Ministers, meeting in Luxembourg on 26 June 1975, Brunner, the Research Commissioner, backed by Genscher, clashed with Hans Matthöfer, the SPD Research Minister, backed by 'the highest authorities in Bonn.' When the Commissioner proposed increasing the total research budget from 179 m. u.a. to 216 m. u.a., Matthöfer refused to authorize further use of funds

[8] The Bremen disaster was mitigated by the fact that the SPD retained a majority of the seats while losing a majority of the vote. German observers minimize the effect of the Peter Lorenz kidnapping on the overall Berlin result.

revenue. The total public deficit now stands at approximately DM 60 billion or 6 per cent of GNP.

The size of the deficit is encouraging from the reflationary perspective but alarming to many Germans because of fears that it will rekindle inflation. Accordingly, on 29 August 1975, the Economics Minister, Hans Friedrichs, and the Finance Minister, Hans Apel, announced cuts in virtually all sectors of public spending for 1976. These would limit the increase in the 1975–76 budget to 4·5 per cent, still obliging the Government to borrow DM 38·6 billion.

With Germany enforcing cuts at home in agriculture, housing, education, public services, and other politically sensitive areas, it is scarcely surprising that Schmidt baulked at the Commission's request for an increase in the EEC budget which Germany calculates at 29 per cent in real terms. According to the Commission, the logic of integration implies that the Community's budget should increase at a faster rate than that of member states. But this cuts little ice with a government committed to fiscal rigour at home which already finances more than 28 per cent of the Community budget. So Germany imposed a ceiling on her national contribution and campaigned for the Commission to reduce its proposed budget by one billion u.a.

The Foreign Ministry has urged that the budgetary u.a. (1 u.a. = DM 3·66) be brought into line with the 'new' u.a. (1 u.a. = DM 3·07 approximately) which is already being used by the European Development Fund. This would better reflect the present relative value of the Deutsche Mark and, at current exchange rates, might reduce German contributions to the 1976 budget by DM 1·3 billion to DM 6·9 billion.[17] But officials at the Finance Ministry doubt that this expected gain would be realized. For Germany's GNP expressed in u.a. would rise following a Deutsche Mark revaluation, pushing up that part of her budget contribution which is keyed to national income. German farmers would also receive less from Brussels if the 'green' Deutsche Mark were revalued without compensatory changes in border taxes. Such difficulties are likely to persist until the Community is financed by revenue from its own resources.

Changes in the international system

Schmidt came to power at a time of fundamental change in the international system. Brandt had completed the major short-term goals of *Ostpolitik* before his downfall. Accommodation with the East had removed ballast which had limited Germany's freedom of manoeuvre elsewhere. This in itself propelled her towards a more active *Westpolitik*

[17] *Frankfurter Allgemeine Zeitung*, 1 October 1975.

[18] See Gebhard Schweigler, 'A new political giant? West German foreign policy in the 1970s', *The World Today*, April 1975.

Détente was accompanied by a transformation of international economic relations. Washington's suspension of dollar convertibility in August 1971 and the breakdown of the Bretton Woods system of fixed exchange rates enhanced the comparative strength of the Deutsche Mark. The dependence of weaker European currencies on support from the Bundesbank pointed towards a greater German say in the disbursement of its wealth. This was illustrated in the $2 billion swap agreement between Germany and Italy, negotiated in August 1974.

The Chancellor was appalled at the *sauve qui peut* response of the EEC to the oil crisis. France's decision to leave the snake, Italy's import controls, Britain's renegotiations and her recent bid for separate representation at the Paris producer-consumer conference in December 1975 all appeared to undermine joint Community action. EMU was seen in Bonn as a test-case for European integration. With its abandonment by Germany's partners, there seemed little point in suppressing long-held criticisms of other aspects of Community life, notably the CAP.

Schmidt's accession to power in May 1974 was part of a general turnover of leadership in EEC countries. With few exceptions these changes precipitated a drift away from the Christian Democratic consensus upon which the European Community had been built towards a predominantly centre-left orientation. This made it easier to re-open questions which the founding fathers and their immediate successors considered closed.

France's symbolic retreat from Gaullist opposition to majority voting in the Council of Ministers led to speculation, encouraged in Bonn, about a Schmidt–Giscard axis. The recession further stimulated interest in policy co-ordination. Official sources in Paris have even hinted at the possibility of compromise over the CAP. But different internal conditions and divergent policies towards OPEC and NATO limit the scope of such an axis.

Schmidt hopes that European political co-operation will develop into common foreign policies, including defence. This desire to complement NATO with a coherent West European position in world politics promises to test co-operative will in other member states, particularly France, Britain, and Denmark. Centrifugal tendencies within the EEC have not deflected Schmidt from his policy of treating the Community as the pivot of Germany's external relations. But neither have they persuaded him that national self-abnegation would hasten European union.

France and the raw materials question

RICHARD WIGG

On the eve of the Paris Conference on International Economic Co-operation, this article examines France's distinctive attitude on energy and raw materials in the light of the demands of her economy, concluding that in the area of relations with the developing nations the French have played a pioneering role—not least because of their belief in state intervention in the market economy.

FRANCE'S industrial 'take off' after the Second World War depended on oil. The discovery of cheap energy in the Middle East from the 1950s onwards gave the French their chance without which they would have been severely handicapped against foreign competition. But, lacking sufficient coal supplies, unlike Britain and West Germany, or natural gas, unlike Holland, their dependence on this source increased with their prosperity. By 1973, just before the crisis, France was importing 76 per cent of her energy requirements. In 1961 oil accounted for 32·5 per cent of her total energy consumption; by 1972 the percentage was 64·9. Moreover, by the time the Arab-Israeli war broke out in October 1973 France was taking 66 per cent of her total oil imports from the Middle East region, her first three suppliers being Saudi Arabia (24·9 per cent), Kuwait (17 per cent), and Iraq (14 per cent).[1] For the next ten years imported oil will unavoidably constitute France's principal energy source and it is her continuing vulnerability, greater than that of any of her chief EEC partners, which underpins her policy of giving priority to a dialogue with the producer countries.

France's pro-Arab foreign policy was the only trump she possessed when the oil crisis broke out, for, despite a theoretical position on energy and raw materials to support the fundamental Gaullist tenets of national independence, her national oil concerns, the groupe TOTAL (Compagnie française des pétroles, CFP) and the group ELF-Aquitaine, had not created even a modest autonomy of choice between various suppliers. They had joined the American oil majors in the dependence on Middle East cheap crude oil and, as a consequence, the small and uneconomic

[1] Figures from *Guide Statistique de l'Energie*, Paris: Banque Nationale de Paris, November 1974; and *Le pétrole dans l'économie française*, Paris: SVP Documentation, January 1974.

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rench coal industry had been allowed to decline and the advent of uclear power generation delayed. Therefore France's first reaction to he energy crisis—when its full economic impact was still unknown—was to play her diplomatic card and begin a hasty search for privileged bilateral relations with the Arabs on the basis of state-to-state deals. This was the phase when France's Foreign Minister, M. Michel Jobert ('Jobert of Arabia'), embarked on a series of visits to the Middle East countries, which in the prevailing emotional atmosphere aroused intense suspicion abroad of France 'going it alone'. At home these journeys proved highly popular, though M. Jobert himself was under no illusion that they reflected anything but the vulnerability of France's energy *position*. President Pompidou, for his part, believed that Western Europe could not withstand economically a confrontation with the oil-producing countries.

Gaullist inheritance

There is little doubt that the Gaullist inheritance, essentially the emphasis on national independence for political motives, was the single most important subjective factor which conditioned France's approach to the raw materials question. The political rejection of the hegemony of both the United States and the Soviet Union led General de Gaulle on a search for allies elsewhere; and the cultivation of the Arabs inevitably led to that of the rest of the emerging Third World. Herein lay the germs of an 'official' French understanding of the developing countries' standpoint, though French intellectuals were already writing sympathetic books about the Third World in the 1950s.

Three weeks after the start of the October war, when the Organization for Economic Co-operation and Development (OECD), the Paris-based grouping of the main Western industrialized nations, first tackled the implications of the crisis, France clashed head on with the Americans: she opposed 'ganging up' against the Arabs and reactivating the oil industry's international advisory body representing the 15 biggest oil companies. Exempt from the Arab's oil embargo, the French were unwilling to forgo the chance to assure their oil supplies by direct deals. By early December the Prime Minister, M. Pierre Messmer, had outlined the French approach, arguing that a European oil policy should be based on co-operation and the organization of oil markets, and not on the arbitrary freedom of the oil majors.

In political terms, the French feared that the United States was seeking to exploit the energy crisis to reassert the leadership role which Dr Kissinger had failed to achieve during the previous spring and summer through his appeal for a 'new Atlantic Charter'.[2] But the response of

[2] See Ian Smart, 'The new Atlantic Charter', *The World Today*, June 1973.

France's allies to Dr Kissinger's London Pilgrims' Society dinner speech in December was quite different. Although all of them had voted the pro-Arab EEC declaration of 6 November 1973, the 'group of 12'—the nucleus which was later to form the International Energy Agency (IEA), the consumer nations' counter to OPEC—now all backed the American approach. This led to the Washington Conference of February 1974 where France overplayed her hand: M. Jobert was trying both to stop the Americans asserting their leadership and any of France's European partners drawing closer to Washington, all in the midst of a crisis.[3] There ensued a phase when France was virtually powerless, for, as the Eight of the Common Market followed America's lead, France ceased to have sufficient weight to interest the Arabs.

For their part, the Arab governments had done little, apart from exempting her from the oil embargo, to strengthen France's hand. At a lunch of the Anglo-American Press Association in Paris last February M. Jobert revealed that Dr Kissinger himself had told him at the time: 'Your contract with Saudi Arabia for oil will not come off, because we shall oppose it'. This referred to France's attempt in January 1974 to obtain through a direct state deal some 800 million tons to be delivered over 20 years. In the event, whether due to American interference or not, France managed to secure a deal for only 30 million tons for three years and, as the French Government was later forced to admit, at \$2·50 a barrel more than the market prices. M. Giscard d'Estaing, then Finance Minister, vetoed a Libyan oil deal offered the ELF group at similarly higher than market prices. President Pompidou finally had to rule that no state-to-state deals would be signed if the prices exceeded those offered through the international oil companies. The dying President's last public remarks on the energy question were to tell the Arabs that he believed the producing countries had overreached their objectives in fixing excessive prices. (Perhaps the French Government did make a mistake in choosing Saudi Arabia, which many French experts regarded as an American preserve—not even one French bank had been established there—just as they saw Sheikh Yamani as an 'Aramco man'). The limits of France's 'first phase' approach were later to be starkly stated by Venezuela's Foreign Minister, who emphasized during his visit to Paris last February that the oil-exporting countries' loyalties to themselves must always have priority over bilateral deals.

Change of line

Thus, when President Giscard d'Estaing made his first foreign policy statement since taking office on 24 October 1974, calling for a 'tripartite' international conference to include industrialized and developing countries

[3] See Louis Turner, 'The Washington energy conference', *The World Today*, March 1974.

mer nations plus the oil producer states, he was above all getting French diplomacy out of an impasse. At the press conference, which he began with the flourish '*Le monde est malheureux*', the President of a rich, industrialized country chose to put the limelight on the statisticians' curves of threatening world problems — energy resources, food supplies, population, and financial structures. He then proclaimed that France would give 'priority every time to solutions based on concertation and negotiation'. The energy crisis, he said, should bring additional awareness of the interdependence of nations. Most significantly, he blamed increased oil prices not on Middle East tensions but on foreseeable shortages of energy resources, aggravated by monetary instability which itself encouraged fresh oil price rises.

Giscard d'Estaing's views on international monetary problems lie outside the scope of this article, but obviously they play a fundamental role in his approach to the raw materials question. The French President exhibits a certain duality in this matter: he is capable, intellectually, of a lucid analysis of the impact of the post-Bretton Woods international financial situation on raw materials and the developing countries; and, at the same time, he is able, as the political leader of one of the 'big five', of taking practical decisions which exploit its workings favourably. In calling the financial summit in November, some weeks before the planned conference on international economic co-operation, he was seen to play both these roles, which explained a certain suspicion among developing countries ranging from Iran to Algeria. When he was still Finance Minister, M Giscard d'Estaing had a rather pragmatic approach towards those aspects of the energy crisis that fell within his responsibility. He did not go to the Washington conference, but carefully floated the French franc just before it took place; and by launching a French 1,500 m. Eurodollar loan that winter, he also effectively broke with the Gaullists' basic hostility to 'dependence' on foreign loans.

France became the first industrial country to take up the oil producers' idea for a multilateral conference. After giving them a couple of hard reasons why they had no interest in the West's economic downturn, the President proposed a conference restricted to ten or twelve countries. The task was to devise a guarantee to protect the oil-exporting countries' revenues while, in return, they would accept the adjustment necessary to the establishment of 'a general level of prices from which that guarantee would start to operate'. To the annoyance of the Americans, he specifically mentioned the indexation of petrol prices fixed 'to a certain number of reference points'. In calling for a conference, he was clearly thinking in terms of bartering indexation for a real drop in petrol prices by offering to protect the earnings of the oil-exporting countries if they fell too much because of unbridled inflation in the industrialized countries. This was not a new approach for him personally: as France's representative at the

1972 United Nations' Conference on Trade and Development in Santiago, Chile, he had emphasized in his speech the crucial importance of guaranteeing the developing countries' export earnings. Rejecting the Gatt approach, he had argued for price stabilization schemes and an international organization of markets by commodities. And, in a key passage on the French approach, he had said:

> To confer on producers the power to negotiate which the purchasers already possess is based both on the ideas of neo-liberalism to which some of us are attached and on the rational adaptation of supply and demand which is the essence of economic planning.

On the eve of last April's abortive preparatory round to the multilateral conference, it was chiefly the Algerians who rallied the developing countries to demand that it should take up all raw materials and not merely oil. When M. Jean Sauvagnargues, who succeeded M. Jobert as France's Foreign Minister, addressed the UN Special Session on raw materials in September, he spoke of stabilizing and revaluing the 'main basic products of developing countries, arguing that market forces needed to be disciplined but cautioning against disregarding economic laws. On indexation, there was a reference to the 'relative evolution of other products, primary as well as processed'. But the Lomé agreement, signed by the EEC with 46 African, Caribbean, and Pacific countries last February was also commended as a model.[4] In her efforts to get the forthcoming December conference off the ground, France has, in fact moved away from the President's original proposals regarding the oil producers' revenues; for weeks she has studiously avoided taking a clear-cut stand in order not to offend either the developing producer nations or her industrialized partners who are frankly against indexation.

In his memoirs, written shortly after leaving office, M. Jobert remarks of co-operation with the Third World that 'behind the noble words of the official speeches there really lies the anxiety of governments for the international equilibrium, the desire to slow down the confrontation, the rivalries, and the economic warfare'.[5] This realism explains why the French favour a dialogue apart from their fundamental energy needs. Indeed, top officials, bankers, industrialists, and businessmen, all strikingly share a sense of the changed power relationships between the industrialized countries and raw material producing nations. (OPEC's 'imminent' collapse was never prophesied in France).

The 'establishment philosophy' sees this change as part of an unavoidable process, and dialogue with the producers as the only way left to make a viable new world, whether it is called a new internationa

[4] See Claude Cheysson, 'Europe and the Third World after Lomé', *The World Today*, June 1975.

[5] Michel Jobert, *Mémoires d'avenir* (Paris: Bernard Grasset, 1975), p. 13

economic order or not. There is obviously now also a short-term calculation—seeing the benefits of getting some kind of dialogue going before the Western countries go into the upturn again. But in the long term, the French view is that the economic advantages of creating real purchasing power in the raw materials-producing developing countries outweigh the disadvantages: letting these countries go on suffering because of excessive fluctuations in their export earnings rules out the hope of establishing a stable world.

Belief in state intervention

Doubtless this prevailing attitude reflects the power of the French state over the economy, compared with that in West Germany of heavy industry over government. What the Presidency, the Ministry of Finance—and M. Giscard d'Estaing's long years there mean that he has left a tradition—and the Quai d'Orsay jointly conceive as the 'French interest' powerfully affects French business views. This goes really to the heart of the matter. The French conceive the state's role in economic affairs as providing the framework within which market forces play. This belief in state intervention, as a basic principle, is old in France; and being accustomed to this approach domestically, it is easy for the French to apply it internationally, notably to the raw materials question.

This does not mean, of course, that French big business and industry circles do not have their own standpoint, or that they think the Government very efficient in its economic role. M. Francois Ceyrac, the President of the *patronat*, the employers' federation, publicly expressed disappointment that the journeys of M. Jacques Chirac, the Prime Minister, to the Middle East had produced so few signed contracts. French industry probably persuaded French diplomacy to drop the global approach M. Sauvagnargues used to talk about, advocating a pragmatic, product-by-product approach on future commodity agreements. The *patronat* prefers to talk in terms of regularization of excessive raw material price fluctuations rather than of stabilization and guarantees of developing countries' earnings on the lines of the Lomé agreement, because it fears that a link-up on prices would probably impose onerous burdens on the compensating mechanisms. It wants the market mechanism to function, with compensation being retroactive. The *patronat* is also insistent about the Government obtaining from all developing countries investment guarantees and profit repatriation, which the convertibility of the franc zone of the former colonies ensures.

French industrialists often say that there is little they can do about higher raw material prices; the Government allows these to be passed on anyway. But, significantly, the Institute of National Statistics published a widely accepted survey, showing how the doubling of raw material prices meant only a 5·5 per cent general increase in consumer prices; the

300 per cent rise in oil prices which occurred in late 1973 brought, calculated, an overall 3·6 per cent increase in consumer prices--figu which largely bear out the argument of the Algerians.

The only consumer sector to revolt were the farmers; the tripling phosphate prices in November 1973 meant, according to the agricultu experts, that their fertilizer prices went up by 32 per cent by March 197 while fuel costs rose 50 per cent in the same period. When they went u again during the same year, the Government was faced with the farmer demonstrations. This produced a 'salvage programme' but did not sto farmers' incomes lagging behind inflation last year or a sharp drop in fertilizers used. Paradoxically, it is agricultural prices which impact on the official consumer price index--a doubling of agricultural prices means a 20 per cent average increase--but the French public can be said to bear this internal 'revaluation' of primary products relatively uncomplainingly. It is sometimes maintained abroad that it is this agricultural interest that leads the French to sympathize with the producer countries' views. This seems an exaggeration. M. Jobert, at the United Nations last year, did propose singling out oil and cereals for priority agreements, but France has not really cultivated outlets for cereals--Egypt and Algeria were the two most important last year--nor, unlike the United States, put down more acreage to wheat.

The obvious reason is that she has preferred the Common Market, with the assurance of selling to Germany at prices equivalent to those at home. But now saturation point has been reached and critical voices are being raised. One sign was a row between the French wheat producers' association and the Brussels Commission last June over 'missed opportunities' outside the EEC. The cool reception given to EEC plans for a regular deal with Egypt by France's partners underlines how the short-term agricultural policies imposed by French politicians like M. Chirac have soured the Common Market, damaging legitimate long-term interests.

France's major effort on the raw materials question in international gatherings like the United Nations contrasts with a vital but almost secret bilateral approach to her own supplies. It is the Ministry of Industry which assumes responsibility for this, supervised technically by the Bureau of Geological and Mineral Research (BRGM). In 1974 France imported minerals totalling 12,000 m. francs, 65 per cent coming from the developing world, half of them former colonies. Again, the basic French philosophy involves an organization of the market.

M. Michel d'Ornano, the Minister of Industry, declared before a session of the Economic and Social Council summoned last December to study 'the French economy and world resources': 'To assure security in maintaining industrial activity cannot be left purely and simply to the play of market forces'. France must have a framework of state aids, incentives, and guarantees to help industrial enterprises in a task of national

ern. Among such measures this year have been [illegible] onal stockpile, beginning with 10 raw materials [illegible] es have already been invested; bids to develop [illegible] ind the stories of the popular weeklies about [illegible] ner penal colony he plans to exploit the territory's vast forests for er pulp and prospect for minerals), and, at the President's urging, a rt on a second extraction plant in New Caledonia which has half the rld's known nickel reserves. M. Giscard d'Estaing is very interested in se projects, and his visit to Zaire in August was a major expression of shake up of France's co-operation policy, designed to reorient it to onomic development schemes benefiting both sides. Africa is seen by m as a major future source of raw materials, and the former Belgian lony as the most interesting country for France, especially for copper after oil the most important raw material). [illegible] the President takes a point of [illegible] Gabon's President Bongo [illegible] Gabon is a highly important source for uranium and last year [illegible] in getting [illegible] France [illegible] attract German and Japanese bidders, but France still gets [illegible] at preferential prices [illegible] has always been unwelcome to the [illegible] agreements).

One of the most important [illegible] of French policy due to the change from a Gaullist to an Independent Republican President came in the [illegible] M. Giscard d'Estaing's own party has tempered the Gaullists' visceral reaction to American big business. The overambitious Gaullist nuclear power station building programme of March 1974 was realistically scaled down in July this year by M. d'Ornano, an Independent Republican. After a rethinking on oil prices and an extended trip to the United States, he announced that France was to adopt a 'pragmatic and prudent approach' regarding the programme on nuclear stations, which was confirmed only until the end of 1976. The new Government virtually shelved the report of the Schvartz parliamentary committee (named after its Gaullist chairman), which investigated the practices of the big oil companies in France and showed that they were taking great liberties with the market economy in France and the two French concerns more enterprising at setting up cartels than the foreign majors. However, there was no wave of public indignation against them nor any real surprise.

M. d'Ornano let the French companies switch from their large imports of Algerian crude in 1974 to the cheaper Gulf producers during the first half of 1975; and ELF's president, M. Guillaumat, could hint broadly this summer that, instead of renewing the 1971 co-operation agreement with Sonatrach (*Société nationale algérienne*) signed after nationalization, his company wanted 'a normal commercial contract'. In June, when the

Minister visited Algeria after the exchange deal under which Alge would have supplied French Renault with 460,000 tons of crude oil return for 5,500 lorries had fallen through, he told the Algerians that th must moderate their oil prices. French newspapers this autumn carrie an advertisement, evidently paid for by the Algerian authorities, with long list of complaints on Franco-Algerian economic relations. Thing were a far cry from M. Jobert's scheme for Southern European-Ara economic integration.

Are there, then, so many reservations of detail that the French outline for the 'North-South dialogue' becomes no more than a grand tableau of diplomatic hypocrisy? Owing to the underlying belief in state interven-tionism, the contrary seems to me to be true. France, accused by General de Gaulle of being reluctant to 'marry her century', is on this major world issue intellectually ahead of all the other big industrialized nations. Sectional interests strive to prevail, but on the whole the kind of argu-ments with which Anglo-Saxon experts still seek to defend the pre-1973 economic system are morally untenable and unrealistic for the French. When the international conference opens in mid-December in Paris, a phase of French pioneering efforts over many years will have come to a close. But no one in France is under the illusion that the task of realization depends on the success or break-up of one conference. It could take at least the next decade.

Securing China's defences

CLARE HOLLINGWORTH

China, who recently celebrated the twenty-sixth anniversary of Communist rule, has also strengthened party control over the military apparatus. But there is a continuing debate over the role of the armed forces and past and future defence strategy especially in relation to the Soviet threat

LAST January's surprise appointment of the first Vice Premier, Teng Hsiao-ping, as Chief of Staff of the People's Liberation Army (PLA) was yet another attempt by Chairman Mao Tse-tung and China's Communist leaders to ensure that 'the Party commands the gun'. And while it made Teng the most powerful man in China today, it was significant that at the same time the leader of the radicals in Shanghai during the Cultural Revolution, Chang Chun-chiao, was appointed to

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:of Chief of the General Political Department of the PLA, or Chief tical Commissar. Chang, like Teng, is a Vice-Premier and a member he Standing Committee of the ruling Politburo. Both men are now erally recognized as the leading contenders for the post of Chairman he Central Committee of the Communist Party when Mao 'goes to et his gods'. This vital position also carries with it the office of mmander-in-Chief of the Chinese Defence Forces under the terms the new Constitution, which came into force after the long awaited urth National People's Congress (NPC), held in January 1975. In dition, the Chairman presides over the powerful Military Commission the Party's Central Committee which was until recently largely mposed of elderly generals from Red Army days.

Teng (like indeed, Chang) has not had any recent military experience [illegible] the prestigious Long March in 1934-5 but he spent much [illegible] in the war against Japan as a Political Commissar in the Red [illegible] in the last phase of the civil war did he become one of the [illegible] of the Second Field Army which pressed forward and [illegible]

[illegible]

[illegible]

[illegible] attempt to ensure that the gun must never be allowed to [illegible] the Party and to deal with high level military decisions and [illegible] responsibility, a three-man temporary commission was set up in [illegible] of 1974 when the Prime Minister, Chou En-lai, and the [illegible] Minister of Defence (now Minister), Yeh Chien-ying, were both [illegible] This triumvirate was composed of Wang Hung-wen, the youthful [illegible] Shanghai radical who rose suddenly to third place in the Party [illegible]archy, Teng Hsiao-ping, and Chen Hsi-lien, the up-and-coming commander of the vital Peking military region. This group was dissolved at the time of the NPC when Yeh was made Defence Minister, and both Teng and Chang were probably appointed to their new posts at the same time.

Major reshuffle

There is no doubt that Mao Tse-tung and Chou En-lai were deeply shaken by the attempted coup d'état of September 1971 organized by the late Defence Minister, Lin Piao, who was then Mao's 'chosen successor'. The forced resignation of over 250 senior commanders and the cross-posting of many others did little to diminish the strength of the power bases that the eleven regional commanders had built up since the Cultural Revolution, enabling them to ignore or water down orders from Peking which they did not like. Five of the eleven regional commanders in Foochow, Nanking, Wuhan, Canton, and Shenyang also held top posts in the Communist Party and could, without too much difficulty, have transformed themselves into 'Red War Lords', although it is unlikely that they would have contemplated this during the Chairman's lifetime.

The scope of these commands is surprising. For instance, Shenyang (Manchuria) covers an area of 466,000 square miles—more than twice the size of France—and includes over sixty million inhabitants compared with fifty-one million in France. The region supplies China with over 35 per cent of her total coal requirements, 70 per cent of crude oil, 40 per cent steel, and 68 per cent of lorries and rolling stock. And it is surrounded on three sides by the Soviet Union, which at times had deployed some 650,000 men and 8,000 tanks, as well as 1,500 tactical aircraft in the area, making with other troops further to the west, a total of over a million men.

In addition to their political and military power, certain regional commanders in the industrial areas were using their authority to divert the production of trucks and lorries designed for agricultural communes to their own forces. Several Revolutionary Committees in charge of heavy industrial plant were also ordered to produce spare parts for weapons, especially outmoded Russian tanks and artillery. These interferences by the military, it was claimed, seriously disturbed the industrial targets of the current Five-Year Plan due to end this year.

The 'Marshals', as the eleven regional commanders were known before the abolition of ranks in 1967, proved to be difficult to dislodge from their power bases. After weeks of discussions in which both the Prime Minister and Teng Hsiao-ping took part in the autumn of 1973, Chairman Mao sent for each of the eight commanders in turn - one of the last tasks personally undertaken by him. He gave them a week to decide whether or not they would accept the proposed changes and, at the same time, he informed them that they could take a maximum of three staff with them to their new command.

When the changes were made public, it was stressed that no one was being dismissed or demoted and, indeed, what happened was that commanders in Canton, Tsinan, Lanchow, and Peking changed places with their opposite numbers in Nanking, Wuhan, Foochow, and Shenyang. It is reasonable to add that many of the commanders had held their

ointments for periods which would have been considered over-long in any European army. Thus Hsu Shih-yu, the new commander of the Canton region, was in control in Nanking – which includes Shanghai – from 1955 to the end of 1973; Han Hsien-chu, was commander of the Foochow region from 1957 to 1973; and Chen Hsi-lien held the vital Manchurian command from 1959 to 1973.

The most important of the changes announced at the start of 1974 appeared to be the swap of commanders between Peking and Shenyang. Li Teh-cheng, aged 64, the former director of the General Political Department was then a member of the nine-man Standing Committee of the ruling Politbureau, which is recognized as the body that would assume collective responsibility should Chairman Mao or Premier Chou die. He was also a Deputy Chairman of the Central Committee of the Party and the most senior soldier in the Party hierarchy. Although he has veered with the political winds, he was considered one of the most radical of the 'Marshals'. Despite the Manchurian command's ranking as the second most important post for a commander in the field, Li was reluctant to leave his powerful seat in Peking.

The 61-year-old Chen Hsi-lien moved from Shenyang to take over the vital Peking military region, a post left vacant since Lin's abortive coup. His command, which includes responsibility for the safety and protection of China's leaders, also covers the frontier with the Mongolian Republic. This sector is particularly important since, as an Asian Soviet satellite, Mongolia could be used by the Russians to mount a Second World War-type of 'blitz' operation against the Chinese capital and the port of Tientsin. The new commander has been extremely active in meeting distinguished guests and attending banquets in the Great Hall of the People held in their honour. He also makes a point of being seen to be on friendly terms with Mao's wife, Chiang Ching, as well as with the Deputy Prime Minister, Teng Hsiao-ping, with whom he sometimes acts as a joint host at receptions. Although he is the youngest of the regional commanders, Chen has a veteran's background: as a young officer he took part in the Long March and later in the Korean War, before assuming command of the artillery.

Since the reshuffle there were reports that Li Teh-sheng was in trouble and he was officially dropped as a Vice-Chairman of the Central Committee of the Party. Another commander who was criticized in Big Character posters after the transfers took place was Han Hsien-chu of the Lanchow military region, who, when commander at Foochow, authorized the publication of a book written by his deputy in praise of Lin Piao. But it is significant that no military commander or important political figure who has been attacked in wall posters has, so far as is known, lost his job. There has been a considerable strengthening of the position of moderate officers serving on the General Staff with the rehabilitation of (General)

Yang Cheng-wu, a former Assistant Chief of Staff, now back at his old desk, and 16 other 'generals' who were dismissed during the later phases of the Cultural Revolution.

But it is the rehabilitation of the former Chief of Staff, Lo Jui-ching, who re-appeared at the end of July, which is most likely to influence future defence policy. For, in addition to being a veteran of the Long March and an expert on internal security, he was Secretary-General of the Party's top policy-making body, the Military Commission. In the early 1960s, Lo (who experienced in Korea the disastrous results of the PLA's attempts to attack well-armed American conventional forces) began to find himself leading the professional soldiers who favoured a modern, well equipped army, in opposition to his Minister of Defence the late Lin Paio, who by that time had become the chief exponent of Maoist People's War. Indeed, in 1965 Lo published an article advocating the 'defence of the cities', a strategy which would have required land forces with sophisticated weapons. Further, as Chief of Staff, he stressed the need for a more balanced approach between military training and political indoctrination, asserting that it was a first principle that soldiers should learn to shoot accurately. As a result, Lo was charged with 'espousing the bourgeois military line' and became the first top military leader to be purged at the start of the Cultural Revolution.

Rival lobbies

The PLA has not escaped the in-fighting of Western defence forces. There is a nuclear lobby, a naval lobby, and an air force lobby. In addition, there is a powerful group of commanders, some of whom were trained in the Soviet Union, who are demanding more conventional equipment, especially modern anti-tank weapons, artillery, and armoured personnel carriers. This 'conventional' lobby argues that a pre-emptive nuclear strike by the Soviet Union is most unlikely, largely because it would have global repercussions. Moreover, experts now believe that the time has passed for the Soviet Union to mount a successful strike to 'take out' the Chinese nuclear installations and weapons stores; for it is known that there has been a great deal of dispersal in western China since the initial nuclear effort was begun at Lop Nor and that warheads are now stored in the Tibetan mountains. The conventional lobby quote Premier Chou En-lai's statement that the Russians might 'try to take the fortress from within' by stirring up troubles inside the country or even in the defence forces. They further claim that additional armoured personnel carriers (APCs) and mobile artillery which would be invaluable in a defensive action, should the Soviet Union attempt to invade China, would be equally useful as offensive weapons in putting down civil disturbances. The conventional lobby has recently been strengthened by the rehabilitated officers.

he Chinese armed forces are geared entirely to a defensive role. luding minor frontier skirmishes or incidents like the takeover by the ry of the Paracel Islands from the South Vietnamese in January 1974. PLA lacks the capability to mount an offensive action in the conventional military sphere. Last year the campaign to criticize the ancient sage nfucius and the late Lin Piao provided various groups within the litary establishment with an opportunity to comment critically on inese past and future defence strategy in such authoritative journals as e theoretical Party monthly *Red Flag* and the more radical Shanghai agazine *Study and Criticism*. While Chairman Mao remains alive, there ill be a continuing stress on the concept of People's War. But soldiers rgue about the Chairman's ten principles of operations, which he outined in December 1947 for use by rebel forces. First wipe out isolated enemy units, Mao teaches, then concentrate an absolutely superior force, encircle the enemy and wipe him out. The Chairman strongly opposed a war of attrition and fixed defended positions except in remote base areas. In 1933 Lin Piao had claimed that the enemy at that particular time—before the Long March—was too experienced to be 'induced' to infiltrate mongst the insurgents and thus risk being wiped out. Indeed, Lin Piao decided that the strategic retreat no longer deceived the well-blooded enemy, and in his article 'On prompt Assault' he advocated the construction of block-houses and fortifications for positional warfare as well as the dispersal of forces. Indeed, Lin supported a war of attrition and, although it is difficult to read a sympathetic word in China today about his tactical principles, there is no doubt that they were not only sensible but also proved to be generally successful when fighting veteran forces. These old rguments are still being used and adapted by their supporters to problems of current defensive strategy.

The strategic reserve together with the artillery and the nuclear arm, which now includes offensive missiles capable of hitting targets such as Vladivostok, Irkutsk, and industrial cities west of the Ural mountains, are under central command. This means, today, Teng Hsiao-ping and the military commission of the Party's Central Committee. But it is assumed that Teng is only empowered to press the nuclear trigger to release China's nuclear missiles when there is irrefutable evidence that Russian (or American) missiles are already in the air targeted on China. Indeed, one of the military drawbacks of modern warfare under Chinese Party control is the length of time it takes to reach vital and urgent decisions by concensus. In the worst possible contingency, were the industrial areas of central China to be overrun, the PLA would evacuate as much of their arms and equipment as possible to areas in the west and south-west. But according to the well-known pattern of the civil war, some units would attempt to hold pre-selected 'mountain tops'. This sounds over-simplistic in the nuclear age, but many of the older Chinese commanders

tend still to think in terms of the Yenan caves and other redoubts as bases for the initial offensive to regain their lost territory.

Traditional deployment

A group of younger commanders have been forcefully advocating a more 'forward strategy' and it is likely that after Chairman Mao dies moves will be made in this direction. But it will take time to implement such a change because many of the PLA armies have been deployed in their present position since the 'Liberation' over 26 years ago. They have the usual fixed military installations found in any divisional headquarters together with farms, pigsties, bean-curd factories, and light industry.

The 15th Army, which is a far larger formation than the normal PLA Army composed of three divisions, forms the strategic reserve together with 18 artillery divisions. These are, of course, more mobile than the typical infantry unit and they are generally deployed in vast training areas along the Yangtse and Yellow River, with some in the Peking military region. It is unlikely that more than an infantry division could be rushed immediately by air to a threatened position. For the PLA suffer from a shortage of transport aircraft as well as vehicles. Further, their chronic lack of mobility is enhanced by bad roads and rail congestion. Despite current construction work on the railway, there remain bottlenecks at tactically important points which are still served by single track lines.

The deployment of the 125 infantry divisions is almost predictable.[1] Nearly 60 of them, supported by six artillery and four or five armoured divisions, are stationed along the Sino-Soviet frontier. On the Sino-Vietnamese border, including the Canton area, there are 12 to 13 infantry and two artillery divisions. Some 20 divisions are based in the Nanking region with an armoured and artillery division, and there are 10 infantry divisions together with one artillery and one armoured division based in Wuhan. Some three armoured divisions are deployed near to Peking to protect the leaders and maintain security there—that is one reason why foreigners are not allowed to venture beyond the Marco Polo bridge. There is no noteworthy concentration of infantry, but two or three artillery divisions are based permanently in the Foochow military region which confronts Taiwan. There are 7 or 8 infantry divisions and elements of horse-drawn artillery in the Kunming military region to deal with insurgents of differing colours should the need arise in northern Burma, Laos, and even in Thailand with which the Chinese have no common

[1] See *Far Eastern Economic Review*, 29 November 1974 and 31 October 1975; also, for background, William W. Whitson, *The Chinese High Command, a History of Military Politics, 1927–71* (London: Macmillan; New York: Praeger 1973).

ontier. Some 10 to 12 divisions including three (horse) cavalry divisions e now deployed along the frontier with India. The remaining infantry evenly deployed amongst the eleven military regions.

'he Navy and Air Force

The Chinese Navy is still a coastal defence force rather than a true blue-water navy', but the new Western-type uniforms which appeared inexpectedly in May 1974 suggested that, for the first time since 1949, the Chinese intend to visit foreign ports. Over the past two years the Chinese Navy has been slowly expanding and it has deployed destroyers with surface-to-surface missiles. The submarine fleet has been enlarged and new model Chinese-built fighters have been added to the Fleet Air Arm. It is assumed that this expansion is designed to enable China to defend the potentially oil-rich Paracel islands, or even to occupy the more remote Spratly group which are also believed to be 'interesting' so far as petroleum deposits are concerned. Although there is every indication that Taiwan will eventually be 'liberated' in a peaceful manner, there is no doubt that the Navy will be required for the takeover of the island. While it would not be difficult for the PLA to land two or even three divisions in Taiwan, experts believe that it would be virtually impossible for the Chinese defence forces, oriented as they are to defence, to occupy the island by force or sustain a lengthy operation there without the support of an internal rising. In any case, China would not contemplate such an invasion while US troops are still stationed there.

China has also been expanding her mercantile fleet by a staggering 20 per cent per year during the past four years. Though largely composed of small vessels of less than 25,000 tons, this fleet now totals some 2·5 m. tons, though many of the vessels are of Second World War vintage. The expansion will enable the Chinese gradually to cut down on the number of foreign cargo ships they now operate under charter.

Little is known of the Chinese Air Force which again has a purely defensive role. Although there are 4,000 combat aircraft, the force suffers from having over 2,000 Mig 15 and 17 some of which are badly in need of spare parts -especially brakes—as a result of faulty industrial planning. Even with the addition of aircraft from the civil airline CAAC, the Air Force is chronically short of air transport. There is a notable percentage of women pilots and crews in this sector. The so-called new Chinese-constructed F9 fighter is reported to be effective but, again, in a defensive role. It is, however, already out-of-date and lacks the sophisticated accessories now considered essential in any aerial combat with the USSR.

Recruitment and training

The PLA chooses its recruits, despite conscription, by means of 'selective service', for there are far more men and women in the right age

group each year anxious to join the service than are required. After serving for three years or more—according to the particular branch of the PLA—the ex-service man who has acquired some technical skills can expect to be directed to a much-sought-after job in a factory. But, recently, many soldiers have been sent to work on agricultural communes in the countryside on completion of their service, supposedly by 'volunteering'.

With the exception of the 15th Army, a soldier devotes one third of his time to military training, one third to political studies and discussions on Marx, Lenin, and Mao Tse-tung's thoughts, and the remaining third to agricultural or industrial production. Most units have their own farms and some light industry where the wives of commanders are employed. But the infantry soldiers also assist 'the people' in the construction of bridges, reservoirs, or dams which renders them popular with the local population. So, too, do the entertainment parties they provide with pretty girls and a high political content. Chang Chun-chiao, the new chief of the General Political Department, will strive to keep the defence forces on what he deems to be the correct political line and attempt to destroy any pro-Russian or pro-revisionist sentiments. The 'Political Commissars' he supervises in every unit down to company level are responsible for the political studies undertaken by the Armed Forces.

The role of the militia

The militia composed of 'hundreds of millions' was given official status with the PLA in the new Constitution of January 1975. This huge force is divided into many sectors according to their role, equipment, level of technical ability, and locality. They are generally trained by PLA commanders and organized in similar formations. At present, well trained militia units occupy agricultural communes in an irregular chain along the Soviet frontier and, together with construction and engineer units and the Frontier Guards, they make up the 'trip wire' in case of a Russian invasion or frontier skirmish.

Regular PLA units forming the first secret line of defence are deployed scores and, at times, even hundreds of miles in the interior. Should this line, designed to cover the industrial north-east and the Chinese heart-land around Peking, be breached, the regular troops would fall back to defend the industrial areas of the Yellow River and the Yangtse. Many urban militia units especially trained in sabotage activities would mingle with the masses 'like fish in the sea' to harass the incoming enemy force aided by the local population, 70 per cent of whom have received some military training for a People's War. One of Chairman Mao's most highly publicized slogans—'Dig tunnels deep, store grain everywhere and seek no hegemony'—has been followed almost to the letter by the militia and the masses. Nearly every factory has some sort of air raid shelter, and

ertain of the essential war industries have elaborate underground workshops which would be operated during hostilities.

Concerted efforts to build up the militia in accordance with Chairman Mao's oft-repeated maxim that men are more important than weapons o back to 1972. The efficiency of the armed militia, which was then tated to be 30 million strong and is now significantly larger, varies normously from the highly trained units, who man the anti-aircraft batteries to defend Shanghai and other large cities, to the companies in emote agricultural communes, where sometimes only the commanders are armed with old rifles and the 'fighters' train with sticks. But such companies are growing rarer as new Chinese-manufactured small arms are produced for the PLA and the obsolescent Soviet-made rifles are passed on to the militia units. Indeed, the commanders in some urban militia units are already armed with automatic weapons-- AK47s—produced in China.

Border companies are naturally highly trained in sabotage work, so too are certain city regiments whose role it is to harass the enemy. All militia units are well practised in grenade throwing, mine laying, and bayonet drill. Further 'backbone' units regularly carry out night exercises in the countryside against airborne invasion troops. Another role of the militia is to deal with natural disasters, such as earthquakes, and they are also required to lead the population in internal security duties like 'exposing' pro-Soviet revisionists and other enemies of the people. Some political leaders hope that the militia, although trained and working in full co-operation with the PLA, could be employed to keep the regular soldiers in their place should they at any time grow out of hand and attempt to control the gun themselves instead of leaving this to the Party.

Early this year the Chinese took the unique step of publishing an illustrated handbook, the ABC of military knowledge, which was intended not only for the militia but also for the broad masses. Here, in 383 pages, were the details of how to carry out Chairman Mao's instructions to 'drown the enemy with people'. Amongst other things, the reader could learn how to destroy a tank after he had run out of ammunition, by fouling its tracks with logs of wood. The preparations required to survive a nuclear attack and to administer first aid after it were also outlined. The book in translation would be useful to any militia in the world, for it includes instructions on basic guerrilla training, especially in mounting ambushes and operating secretly in the countryside. In the present situation, where foreigners are not allowed to buy all the daily newspapers, the manual's public appearance in the bookstalls caused a sensation. The argument for an effective militia has some force, given that the Soviet Union is also suffering from logistic problems and limited transport facilities between Moscow and Siberia: at present the Russians could not sustain a mass invasion of Manchuria, but they have the capacity for sur-

prise 'hit and run' excursions into China's northern cities and almost unlimited frontier incidents.

To sum up, Teng's titular post as Chief of Staff will enable him to take part in the vital discussions on the future strategy of the PLA and to mediate between those who feel a People's War is impossible to sustain for long in a nuclear age and the Maoist-oriented commanders. Significantly, at the opening of the PLA games on 11 May 1975, Chou Hsi-hen spoke of the PLA becoming a modern army. Certainly the complete re-arming of the infantry with light weapons will take another four or five years to complete. Meanwhile, the pressure for so-called 'modern' weapons, especially wire-guided and other anti-tank devices, gains momentum. Indeed, Teng will face a demand that the infantry or, at least, more than the 15th 'mobile' Army should become equipped and trained more for modern conventional warfare than for a People's War in co-operation with the militia.

For the moment, China can be said to be 'sitting pretty', with a nuclear arsenal which is limited but nevertheless too powerful to be disregarded in a situation of military balance between the United States and the Soviet Union. Despite the problems of strategic policy with which Teng will be faced, his principal task is to ensure the PLA's unwavering loyalty to the policies of the Chinese Communist Party and State. The stress recently placed on the current 'unity' amongst the defence forces has led some cynical observers to conclude that the Party may fear pro-Russian revisionist elements still lurking amongst the ranks of the Army and Air Force. For, a transfer of power is already in progress as the 82-year-old Mao Tse-tung and the 77-year-old and seriously ill Chou En-lai gradually withdraw from the political scene. While it seems likely that Teng Hsiao-ping will take over and the nation as a whole will accept the new leadership, the PLA are certain to play a vital role in any transfer of power because they not only have the guns but, far more important, they control the only means of speedy communication between Peking and China's provincial cities. The masses are likely to accept the authority of the Army in case of any local disturbance, as they did at the end of the Cultural Revolution. And when Mao and Chou have 'gone to meet Marx', the new leadership will lack the invaluable and almost mystical appeal of the Chairman's name.